

JPRS 75212

27 February 1980

# **East Europe Report**

**ECONOMIC AND INDUSTRIAL AFFAIRS**

**No. 1984**



**FOREIGN BROADCAST INFORMATION SERVICE**

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<b>REPORT DOCUMENTATION PAGE</b>	<b>1. REPORT NO.</b> JPRS 75212	<b>2.</b>	<b>3. Recipient's Accession No.</b>
<b>4. Title and Subtitle</b> EAST EUROPE REPORT: ECONOMIC AND INDUSTRIAL AFFAIRS, No. 1984		<b>5. Report Date</b> 27 February 1980	
<b>7. Author(s)</b>		<b>6.</b>	
<b>9. Performing Organization Name and Address</b> Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201		<b>8. Performing Organization Rept. No.</b>	
<b>12. Sponsoring Organization Name and Address</b>  As above		<b>10. Project/Task/Work Unit No.</b>	
		<b>11. Contract(C) or Grant(G) No.</b> (C) (G)	
		<b>13. Type of Report &amp; Period Covered</b>	
<b>15. Supplementary Notes</b>		<b>14.</b>	
<b>16. Abstract (Limit: 200 words)</b>  This serial report contains information on economic theory, organization, planning and management; major agreements on and development of trade within CEMA and outside the Bloc; articles on all aspects of the materials, services, machine, electronics, and precision equipment industries; and concepts and attainments in agriculture, forestry, and the food industry.			
<b>17. Document Analysis a. Descriptors</b>			
<input checked="" type="checkbox"/> International Affairs <input type="checkbox"/> Albania <input type="checkbox"/> Bulgaria <input checked="" type="checkbox"/> Czechoslovakia <input type="checkbox"/> German Democratic Republic <input checked="" type="checkbox"/> Hungary <input type="checkbox"/> Poland <input checked="" type="checkbox"/> Romania <input checked="" type="checkbox"/> Yugoslavia		Economics Technological Agriculture	
<b>b. Identifiers/Open-Ended Terms</b>			
<b>c. COSATI Field/Group</b> 5C, 13I			
<b>18. Availability Statement</b> Unlimited Availability Sold by NTIS Springfield, Virginia 22161		<b>19. Security Class (This Report)</b> UNCLASSIFIED	<b>21. No. of Pages</b> 57
		<b>20. Security Class (This Page)</b> UNCLASSIFIED	<b>22. Price</b>



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INFLATIONARY SIGNS NOTED IN USSR, EASTERN EUROPE

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Dec 79 p 9

[Text] From some Eastern European countries, in which apparently for a long time the words inflation, balance of payments difficulties, shortfalls in plan fulfillment were never heard, there are now coming reports of such manifestations, and they are of very serious nature. In the Soviet Union, which without a doubt is the "economic locomotive" both in the East and on a world scale, the latest plenum of the KPSS Central Committee and the session of the Supreme Soviet were devoted exclusively to efforts "in the final year of the five-year plan (next year), to make up for the shortfalls of the present year." That is understandable, for this year productivity in the Soviet Union was lower than the planned level by about 2 percent (with a growth rate of 2.5 percent realized instead of the planned 4.7). What's more, judging from the words of Brezhnev himself, this year the main tasks in increasing labor effectiveness and improving the quality of production were not accomplished. The rate of increase in productivity was lower than in the preceding year, and judging at least from the first 9 months there were shortfalls in such key branches of the economy as ferrous and nonferrous metallurgy, production and processing of wood, cellulose production, etc. The situation is the more serious in that "bottlenecks" have been noted in areas upon which depend the rhythm of economic development in the country as a whole; it is a matter of shortages, chiefly of energy and metals. The shortage in crude oil production this year will most probably amount to about 10 million tons.

Information that this year's production results are "below" the planned results are arriving from other Eastern European countries as well, accompanied by emphasis on certain general difficulties that are tormenting them all. Thus recently Honecker reported that the GDR "this year had not achieved all the planned tasks." At the same time, in distinction to the others, this socialist country announced "selective price increases."

At the beginning of this month, speaking at a gathering of miners about Polish housing problems, supply shortages, the reappearance of lines at shops and the increasingly frequent interruptions of electricity, Gierek said, "Believe me, I am not blind to the problems around us."

On December 10 the Czechoslovak four-year balance spoke eloquently for itself: the gross national product increased in the period 1976-1979 by 17 percent, instead of the planned 27 percent, industrial production was up 21 percent rather than the anticipated 33 percent, housing construction rose by 24 percent instead of the planned 36 percent, and so on. In Hungary they are dissatisfied primarily with the quality of production and prices. Inflation has reached a rate of 9 percent and for the first time, it has significantly reduced the population's purchasing power.

A series of factors are related to the shortfalls in the economic plans. Among them the panorama ranges from objective elements, which in a time of increasing international interdependence gain in importance, to subjective factors of a purely national character that in essence are the results of specific philosophies and criteria. This principle of course applies to the current economic trials of the eastern countries, but it seems that there is one common factor, an underestimation of world energy difficulties that only now are being regarded in a longterm manner, but with a delay.

The explanation of the reasons because of which a price must now be paid have two aspects. First, there is the impression that the Eastern European countries regarded the energy crisis as a passing phenomenon, while at the same time counting on the fact that behind them (in the Council for Mutual Economic Assistance) stands the world's leading oil producer, the USSR. Both of these prognoses have proved, however, to be relative, which also explains the current convulsive efforts to make up for lost time. Thus it is not surprising that these countries anticipate that they will set aside nearly half of their planned investment capital for the development of domestic energy sources. Something will certainly be made up, but there is the question of consequences and finally, of the readiness of consumers for further denial, which has in any case been present for years, particularly in the area of certain mass consumer goods.

On the other hand, the USSR has informed its partners that in the coming years they will have to be more modest where oil is concerned, and this in turn explains their increasing resort to the OPEC countries. Of course, prices of Soviet oil are still significantly lower than world market prices for the COMECON countries, but only to a certain point. Beyond that they must pay in dollars or other convertible currencies, at higher prices. The crux of the matter is in the objective problems of the USSR, the stagnation in oil exploitation from traditional sources (in the European part of the country), and the increasing costs of production in western Siberia, where enormous investments in the infrastructure and in transportation are required.

A reflection of the current economic situation in the eastern countries is seen in the increasing restrictions in the sphere of convertible currency transactions. There is talk of currency reform within the confines of COMECON. The reason would certainly be the recognition of the fact



that these countries are not invulnerable to the effect of inflation. It is true that as a result of various state "transfusions" and intervention, inflation has not taken on the usual traits. Nonetheless, frequent production drops, slowing of production, quality deficiencies and failure to fulfill plan targets have appeared, along with occasional shortages and the like. The bottom line effects are the same.

Naturally, one can already feel the general mobilization to surmount the present difficulties. They, however, are not momentary, and they cause concern. Political action is already present, with calls for tightening belts, greater production, savings, and certain reorientations of production. Some of the eastern countries see an economic "brightening" in greater opening to foreign markets (as in Hungary). The boldest forecasts from Budapest see the forint as the first "hard" currency in Eastern Europe as soon as 1985. The trials are great, but that is a challenge that, if it comes to it, would certainly not remain isolated. The other option is to be like Czechoslovakia and pull even further into its shell. Obviously, concepts are not the same, and there also appear to be cases where the countries are running in circles. In general, the question of the breadth of activities is tightly bound to the nature of these countries. One thing is, however, certain, and that is that the often emphasized invulnerability of the Eastern European economic systems has failed the test like its supposed advantages, for an economic crisis of world magnitude is involved in which no ideological barriers, let alone cover ups, are an effective preventative.

12131

CSO: 2800

HUNGARIAN-USSR GOODS EXCHANGE PROTOCOL SIGNED

Budapest NEPSZABADSAG in Hungarian 30 Jan 80 p 1

[Article by Laszlo Medvecky, "Hungarian-Soviet Trade Is Continuing to Increase"]

[Text] Hungarian-Soviet trade traffic is expected to continue increasing again this year. It is common knowledge that our country maintains its most significant trade relationship with the Soviet Union, acquiring 76 percent of the consumed petroleum, 27 percent of the natural gas supply, 23 percent of electrical energy and more than half of its aluminum from its chief partner. It is characteristic of the increasing traffic that while in the 5 years between 1971 and 1975, trade amounted to 10 billion rubles, the trade this year alone will exceed 5 billion rubles, representing a five percent increase over 1979.

The detailed goods exchange protocol was signed Tuesday in Moscow by Nicolai Patolichev and by Peter Veress, the Soviet and Hungarian foreign trade ministers respectively. The agreement, when it was drawn up considered primarily the current year's national economy tasks of the two countries and continues to reflect the already developed traditional merchandise structure. Accordingly, this year we are again purchasing mostly raw materials, energy and semifinished products from the Soviet Union, and in return we are shipping mostly machinery, equipment and other processed products. At the head of the just ratified import list are 7.5 million tons of petroleum and 3.8 billion cubic meters of natural gas. The majority of the latter will arrive through the Orenburgh pipeline. In addition, we are purchasing significant quantities of electricity, iron ore, wood, wool, cellulose and paper from the Soviet Union. Further, 20 subway motor cars and 20,000 Lada automobiles appear among the transportation vehicles which are to be delivered. Large quantities of Soviet portable televisions, vacuum cleaners, bicycles, refrigerators, sewing machines and transistor radios will again serve to augment the domestic selection. Soviet automatic washing machines will also arrive at Hungarian stores. In addition, there is a long line of machine tools and agricultural machinery, energy, electronic and mining equipment to arrive from the Soviet Union.

Machine tool machinery and energy equipment are also appearing in considerable numbers on the Hungarian export list. The largest portion of this year's Soviet import from our communications industry is comprised by equipment for the Olympics. The value of scoreboards alone is more than 6 million rubles. In addition, we are also delivering 6,000 Ikarus buses and nearly a half million automobile unit parts to Soviet customers. The Soviet Union continues to be the most important purchaser of Hungarian floating cranes.

Exports of agricultural, food industry and other consumer goods to the Soviet Union will continue to increase this year. We are to deliver 300,000 tons of fresh fruit, twice that amount of meat products and 65 million bottles of wine by the end of the year. While the value of this year's ready made clothing export is 85 million rubles, the amounts of knits and pharmaceutical exports will be 51 and 120 million rubles respectively.

At the signing of the protocol, Peter Veress stated that the international economic situation and the economic circumstances of our countries were not problem free. We cannot expect to be problem free this year either. Despite this, the agreement between the two countries, which at the same time is in preparation for the development of our commercial relations for the next Five-Year Plan period, reflects the endeavors towards the constant development of cooperation between the two countries, the two parties and the two governments. While the signing of the protocol is an important action, its satisfactory execution is even more important. Everyone is aware that the Hungarian-Soviet economic relationship is the most important factor in our total economic development. This year we are celebrating the 35th anniversary of the liberation of Hungary. Shortly, it will be time for our party's 12th congress. Hungarian workers intend to celebrate these two significant events with good work. Our task in this regard is to carry out the agreement just ratified as well as possible.

Nicolai Patolichev mentioned the exceptionally rapid development of the commercial-economic relations between the two countries. He asserted that the relations between the Soviet Union and Hungary are in all aspects--in economic and also trade cooperation--permeated with the brotherly internationalist spirit. The communist parties and governments of the two nations determine the tasks the implementation of which they also promote through the instruments of trade. Thus, fulfillment of deliveries specified in the protocol is very important. He noted that both the Soviet Union and Hungary are currently preparing their new five-year plans, and that the work related to their coordination is beginning. On this basis also, the new five-year plan for goods exchange between the two countries is to be worked out.

The members of the negotiating delegations of the two countries were present at the signing of the protocol. The leaders of the Soviet foreign trade ministry were present. Matyas Szuros, our country's ambassador to Moscow, and Adolf Federer, chief trade counsellor and the chief of the Hungarian foreign trade delegation participated in the signing.

9093

CSO: 2500



BETTER USE OF HYDRO-ENERGY URGED

Prague HOSPODARSKE NOVINY in Czech 18 Jan 80 p 6

[Article by Eng Frantisek Pazout, CSSR Government presidium office staff member]

[Text] At the meeting held on 20 December 1979 the CSSR Government Presidium considered the use of small hydroelectric installations for power production and decided to prepare a comprehensive recommissioning program and the resumption of their development and construction and approved the guidelines for the intensive utilization of the hydroelectric potential of CSSR rivers for power production by small hydroelectric power plants.

In recent years the rapid increase in the cost of fuels and energy has induced most advanced capitalist and socialist states to pay increased attention to the hitherto unharnessed part of rivers with hydro-energy potential. In Czechoslovakia this potential has been exploited by only 38.35 percent. Converted to energy for power production by brown coal (2500 kcal/kg) hydroelectric installations with capacity exceeding 10 MW are equivalent to 5.1 million tons of coal per year and installations with a capacity under 10 MW to additional 1.8 million tons.

Opponents of the construction and development of small hydroelectric installations, who in recent years witnessed the gradual cut back of these resources because they were considered "uneconomical," continue to voice the opinion (for example in the journal ENERGETIKA No 10/79) that the construction of small hydroelectric installations disperses construction capacities, that they offer no prospect of increased economic gain and that in conditions prevailing in the CSSR their construction still cannot be justified on economic grounds. Such opinions, are based on a lack of understanding of the efficiency of small hydroelectric installations and their economic importance.

Operational Efficiency

The past 30 years have not been favorable for the development of small hydroelectric installations. At the time of construction of thermal and

some large hydroelectric power plants the operation of small hydroelectric installations was considered uneconomical and as a result only 264 such installations remain in operation out of a one time number of 12,969.

But analysis of actual power production costs by these small hydroelectric installations demonstrates that they have remained essentially stable and that for a number of decades operating these installations was economically advantageous. Author L. Rehacek in his SMALL ABC OF THE POWER INDUSTRY, published as recently as 1954, claims that the median cost of producing 1 kWh from coal is triple that of producing it in hydroelectric installations.

The economic profitability of operating small hydroelectric installations changed in 1954 due to the disproportionately high value placed on then already older (or already amortized) hydroelectric power resources. As a result high amortization rates raised power production costs in these installations. In addition, at that time some hydroelectric installations needed a general overhaul. The resulting new residual capital costs were thereby raised by expenditures needed for general overhaul which up to 1966 were reflected in high power production costs. These increased 1966 costs were raised considerably (by up to 90 percent) by the additional introduction of charges for the use of part of water works (dams, weirs, etc.) following their transfer into the operative management by organizations of the Ministry of Forestry and Water Economy. In 1967 expenditures were raised further by a 6 percent tax on the capital balance which was especially onerous due to the overvaluation of the capital balance from preceding years. It is evident how power production costs kept rising from one year to the next thereby exerting pressure towards liquidating these power resources.

In recent years much has changed in the field of power production. Today the building and operation of small hydroelectric power plants is considered to be economically justified and with time their contribution will become increasingly evident.

The answer to the question how the economics of power production by small hydroelectric installations became advantageous under current conditions is comparatively simple. The 6 percent tax on the capital balance was abolished some time ago and a resolution was adopted by the CSSR Government presidium on 20 December 1979 calling for the reduction of charges for the use of water works for small-scale power production to a minimum. But the key factor is the steady rapid rise in price of power production fuels. In 1965 a ton of specific fuel costs Kcs 151.01 which in 1978 increased to Kcs 323.30. The consumption of this fuel increased from 9,928 million tons specific fuel in 1965 to 21,367 million tons in 1978. In 1965 one MWh power produced by thermal power plants and delivered to the grid cost Kcs 121.10 but in 1978 this amount rose already to Kcs 179.11. For comparison, in 1978 the average cost of 1 MWh power produced by hydroelectric plants delivered to the grid cost Kcs 155.64.

But in the 1980's quite new values and price relations will come into play. While after 1980 each additional ton of specific fuel in the form of brown coal will cost roughly Kcs 500 in indispensable social expenditures, one

ton of specific fuel in the form of oil imported from capitalist countries will cost Kcs 1600 (maybe even more) and one ton of imported natural gas fuel will cost about Kcs 1300. At that time 1 MWh produced in thermal power plants will cost between Kcs 285 and 300. In contrast, average power production costs by hydroelectric power plants will be considerably lower; they should not exceed Kcs 200 per 1 MWh (even in small installations). There can be no doubt about the merit of large and small hydroelectric power plants which will constitute also in the future very valuable sources of electric power.

In 1978 a new flowthrough hydroelectric power plant went on line at Pardubice. The cost of 1 MWh power was estimated with Kcs 42.50, the actual cost came to Kcs 73 as a result of reduced output. The cost estimate of producing 1 MWh power in the restarted hydroelectric installation of Stvanice in Prague is Kcs 43.90 which is almost four times less than we are paying today for power from steam plants. But even some older small electric installations produce currently power cheaper than large plants when economic conditions are adjusted. For example, the small hydroelectric power installation Vydra (5.4 MWh) built in 1939 produced 1 MWh for Kcs 47, the nearby Cenkova pila (sawmill) (0.09 MW) built in 1912 produces 1 MWh for Kcs 100 etc. For comparison it needs to be said that the production costs of 1 MWh at the Lipno hydroelectric plant (120 MW) is Kcs 187 and at Orlik (364 MW) Kcs 110. In small hydroelectric installations the advantage of the installed MW is in the fact that their generating plant runs for a considerably longer time period and consequently produces more power in a year. Of the above examples Lipno is in operation for 1168 hours, Orlik for 915 hours while Vydra produces power for 4991 hours and Cenkova pila for 5744 hours a year (data for 1977).

Most (about 60 percent) small hydroelectric plants have been in operation for from 40 to 75 years. The overall condition of the water works (weirs, flood-gates, etc.) connected with these power sources is currently poor, in places defective, which has a deleterious effect on their average annual power production efficiency. In addition, calculations reveal that modernizing the outmoded generating installations of small power plants (a considerable number of aggregates still have wooden gears) will raise their output by up to 100 percent--in some instances by better utilization of the gradient and volume of water by up to 400 percent. Therefore, installations of the older small hydroelectric plants will have to be properly maintained and overhauled.

#### Efficient Capital Construction

In view of the decision to channel investments into the construction of nuclear power plants, which are considered to be vital for the development of the Czechoslovak power industry, the possibility of building large hydroelectric power plants in the Seventh and Eight Five-Year Plan is precluded by the capital requirements needed for the Danube water works system and the construction of the pumped storage hydroelectric power plant Dlouha Stran at Hruby Jeseník. Therefore, the restarting and construction of small hydroelectric power plants whose construction and restarting time is comparatively short and which can be erected also by smaller local construction assembly and their capacities or by selfhelp has become feasible.



We possess considerable experience in building hydroelectric power plants. After 1955, for example, we built Slapy, Lipno and Orlik with Kamyk which have a total installed capacity of 690 MW. This is about the capacity which is expected to be gained in the long run by building new small hydroelectric power plants. The overall cost of power plants listed above was Kcs 2.6 billion, 18 percent of which was spent on the technical installations. The specific cost of 1 installed kW (including the cost of related economic and transportation facilities and the respective capital investments) of these water works on the Vltava River was Kcs 3800.

Under present conditions we expect the construction costs of large hydroelectric power plants of a similar type to be much higher, nevertheless, we consider even such expenditures to be justified. The Danube water works system will cost Kcs 6.8 billion and contribute gradually between 1986 and 1990 499 MW installed power output. The construction cost of the power generating part of the water works should amount to Kcs 6148 per 1 kW installed output. Nuclear power plant construction yields 1 installed kW for Kcs 7250 to 7600 (Article II-VII of the budget).

In comparing the cost of 1 MW installed power in small and large hydroelectric power plants we need to consider that the higher capital expenditures for existing small power plants are compensated by the fact that in a year's time they produce power two to five times longer and that their output is consequently higher. Besides the national priority of exploiting all hydroelectric resources also other aspects need to be weighed in specific cases such as construction time, payback time of the invested capital, labor requirement etc.

In trying to justify the economic viability of additional construction it needs to be said that there is no intention of building small hydroelectric plants such as were built between 1905 and 1939. Such installations would really cost a fortune. The intention, as in advanced capitalist and socialist states, is to insert water-propelled (or other suitable) turbosets requiring no operator directly into weirs (without buildings) using modern construction technology to reduce capital investment to a minimum and shorten construction time. But this calls for the simultaneous designing and building of a considerable number of small hydroelectric power plants with identical indicators to make possible the application of large scale production methods and mechanization and the use of prefabricated parts in the building construction part of the projects.

In view of the unavoidable economy measures in capital construction in the Seventh Five-Year Plan the building of new small hydroelectric power resources is indicated where these would form part of a multi-purpose project such as is the case of weirs built to render a river navigable etc. The main focus will be on the reconstruction and modernization of outmoded installations and on installing generating equipment where the water works are ready for it and suitable. In the Seventh Five-Year Plan a complete inventory of small operating and decommissioned small hydroelectric power plants should be taken, the power generating potential of all weirs and water works hitherto

unused for power generation assessed from the viewpoint of technical and economic feasibility, the supplemental development of a standardized series of technical installations including automation devices secured and the possibility of specializing in the production of small hydroelectric turbines by CEMA countries explored.

We need have no fear with respect to the economy of operating or building small hydroelectric plants. While they do not constitute a vital element among the resources of our fuel and energy base their importance as a supplemental power source will increase with the increasing difficulties in procuring fuels of all types.

8664

CSO: 2400

## HUNGARY

### CSIKOS-NAGY DESCRIBES NEW PRICE SYSTEM

Budapest PENZUGYI SZEMLE in Hungarian No 1. Jan 80 pp 3-11

[Article by Bela Csikos-Nagy: "The New Price System"]

[Text] The revenue and financial regulation system has been changed significantly in 1980. In harmony with this, we carried out a general price change which extended to both producer and consumer prices. We introduced new industrial producer prices and commodity delivery rates. In agriculture the new purchasing prices came into effect for livestock breeding on 1 January and in crop production at the turn of the 1979/1980 economic year. The price formation system of the construction industry was altered. We must calculate the budgets for investments underway by using indexes announced for such goals.

In harmony with the producer price change, we carried out on 23 July 1979 a partial consumer price measure. We raised consumer prices for certain foods, heating and engine fuels, electric energy, construction materials, shoes and furniture. This measure raised the consumer price level by about 9 percent, 6 percent of which was compensated for by the earnings supplement. On the other hand, on 1 January the consumer prices moved in only a narrow sphere, and the consumer price level did not change. The producer price readjustment of course also affects consumer prices in other areas since almost one-half of the commodity trade and the bulk of the product-types in trade are marketed at free prices. But commerce is carrying out this kind of price-movement levelling gradually under central guidance with adjustments to the nature of the individual products. This is what we also did in 1968 when we introduced a broad scope of free prices.

Simultaneously with the price change, we also changed the legal system for price regulation. The Council of Ministers passed a new decree regarding price regulation and guidelines on defining unfair profits. The chairman of the National Material and Price Office issued orders regarding price formation adjusted to foreign trade prices, the listing of the price form, and related thereto a prior reporting obligation for planned increases in certain prices (fees) belonging to the free price form, the order for establishing and changing the official price of new products, and preparing



the price formation and appraisal of services. Price-gap orders regulate separately price formation in consumer items, producer means and foreign trade. The order regarding the mission and operation of the price commissioners has been modified.

Price control is being conducted under the old statutory provision. The position taken was that experience must be acquired before new requirements on price control could be drafted. Let us add thereto: the legal system of price regulation has basically changed. In relation with the mixed price mechanism introduced in 1968, only the fixing of a few disputable market attitudes represented a legal bond for free price movement. The 1973 decree of the Council of Ministers in its guidelines for establishing unfair profits defined the justified and unjustified cases of change in the free price. Now in its price regulation decree, the Council of Ministers set forth the attitude norms of enterprise price policy. Therefore in the new price regulation order, unfair profits rise with the violation (as a rule, with the realization of unproportionally high prices) of statutory provisions regarding price formation, and this is also the main guide for price control.

#### Measures Harmonized with the Guidelines for the Long-Term Development of the Price System

In 1978, the MSZMP Central Committee set long-term development guidelines for the price system. As a long-term requirement, the introduction of value-ratio consumer prices was drafted as well as the restoration of the two-level price system, the organic linking and maintenance of foreign trade and domestic prices, and increased flexibility in the price mechanism. The requirement was that these guidelines should serve as the basis of the price readjustments in 1980 by taking into account urgency of priority and possibilities.

From the viewpoint of progress toward value-ratio consumer prices, the 23 July 1970 measure represented an important step. In the present economic situation there were moreover--looking at it from the aspect of prices--two questions of particular importance. One is rational material and energy management; this is made mandatory by our lack of resources in minerals. The other is the transformation of the production structure in such a way that there will be a considerable expansion on the world market of the share of products that can be sold profitably in all relations. This is necessary in order to improve the equilibrium situation of the economy.

In the new price system, the relative price of energy rose by 65 percent as compared to prices for finished products, and the price of materials rose by 35 percent. Even more striking is the change if the price relations that developed in 1980 are compared with the price relations in the period before the explosion in the price of oil. As compared to 1973, the relative rise in price in the case of energy is 110 percent, and in the case of material 60 percent. In harmony with the change in international value relations, we have tightened those conditions of manufacturing technology,

product structure and operational organization with which we could market in a secure way those products which are energy and material intensive.

Incentive to the manufacture of products which can be sold profitably on the world market in all trade relations is served by transforming the prime-cost price system to a competitive one. In the new price system, the cost of energy and materials adjusts to the most expensive sale price, while the producer price level adjusts to the price level of free foreign-exchange export. In such a price system, profit-loss reflects the position of the enterprise as measured in international competition; enterprise efficiency, on the other hand, is the expression of international competitiveness.

Holding one's place in international competition is at the same time the regulator of rational material and energy management. The price (the increasing price) of materials and energy can be passed on to semiprocessed and finished goods only as a function of free foreign-currently export prices. This is a basic change in respect to the traditional practice of prime-cost price formation. In a prime-cost price system, increasing material and energy costs do not constrain enterprises to greater conservation. As a matter of fact, if there is a possibility for choosing, the enterprise will give the advantage to the more expensive resource. In dictated overhead indexes (possibly profit prescriptions) the profitability of an enterprise increases if the price of materials (energy) rises and worsens, or if it declines.

#### A Tricentered Price System

An opportunity arose for the introduction of a competitive price system, of course, only in competitive production branches. The differentiation of production branches according to competitive and noncompetitive branches is based on whether or not they produce such products and perform such services as are the object of foreign trade (export or import). We had to leave invisible export out of account because, for example, the entire commodity world by virtue of foreign trade comes into contact with the world market, but the raising of the fee for local services to the "world market" level, for example, is an insoluble matter and would at the same time be irrational.

From the viewpoint of the 1980 price change, it was a new task to examine in which system the competitive system could be used or where it might be used. We must exclude agriculture from the branches marked for such a goal. In a competitive price system we could not have raised the purchasing price level of agricultural products, and in fact we would have had to carry out price ratio modifications in the 1979 price level in favor of crops and at the cost of livestock. Rather, a) we raised the purchase price level by 11 percent, but we would have had to raise it by 30 percent to eliminate budgetary subsidies for the means of production (fertilizers, pesticides and so forth), and b) we changed the price ratios in favor of livestock breeding, not crop production. This was required by the maintenance of the producer interest in the intensive development of agriculture. The intensive

development of agriculture is realized everywhere in Europe by protectionist agrarian policy since the world market prices for agrarian products are regulated partly by cheap, extensive cultivation methods overseas and partly by the production conditions of industrially developed capitalist countries which produce at high efficiency and low specific cost.

Since the competitive system embraces only a part of social production, great emphasis was given to the examination of how, in noncompetitive production branches, we could eliminate the inclination toward the waste of energy and materials in prime-cost price formation, or at least reduce it. In this connection, price formation based on price ratio-fixing was decided on. Price ratio-fixing is the formation principle that can be used for items in a replaceable relation or in the area of related items. This method was also used by price policy formerly. It is generally characteristic in the area of consumer prices because trade in related items does not leave out of account what kind of price increase a consumer is willing to acknowledge in the case of a new product which in respect to some properties is better than a product designed for a similar purpose and already on the market.

Neither is the ratio-fixing method new in the area of producer prices. Let us look at transportation. The various transportation branches are in competition with one another. Therefore in developing the various tariff levels we cannot neglect transportation policy considerations, namely, that the suppliers should use the various means of transportation in appropriate ratio on the basis of interest. It can be assumed in a competitive system that when there is an opportunity for choice in producer consumption, demand directs itself, according to the principle of cost minimalization, to production means in the replaceable relation.

Finally, the 1980 price change shaped a tricentered price system. Competitive price formation extends to about 35 percent of social production, ratio-fixing price formation to about 40 percent, and traditional prime-cost price formation to about 25 percent.

#### For Economic Equilibrium

But it was much easier in these matters to arrive at theoretical agreement than at the mode of practical realization. This is understandable when we consider that the price system change was hastened by the development of unfavorable foreign market conditions, and it was not constrained by internal market relations. In a certain sense, therefore, it was necessary to stimulate the price relations best serving economic conditions in our circumstances. This is the essence of the problem. This is so, because the price system can meet the requirements that it faces only if

--on one hand it can be shown that in rational economic decisions the orientation function of the price will not be limited to the day of the price change, but will be realized as its process, adjusting to the foreign economy and the changes in the internal market relations of the economy;

--on the other hand the limits are gradually reduced by which the approved price formation principles were introduced and parallel thereto the normative character of financial regulation will be strengthened in the economy.

It is not easy to meet all these requirements, and systematically to "create anew" such price relations is obviously impossible without an appropriate market infrastructure. Therefore, it is well to emphasize that a comprehensive modification of the regulatory system and the new price system linked thereto rest on a dual hypothesis according to which:

--the foreign trade imbalance can be eliminated without increasing tensions in the domestic equilibrium and what is more the supply and demand balance will be made more firm by virtue of a financial policy which realizes an increasingly more conscious purchasing power regulation.

#### Practical Realization of the Principle Related to the Producer Price Level

The adjustment of the industrial producer price level to the free foreign exchange export price level has raised problems. How can the price level of an industrial branch, an enterprise be guided by taking into account those price movements which give only an insignificant share of production value, perhaps not even 10 percent? How can we bring the general price level of an industrial branch, an enterprise to a common factor with the export price level in view of the fact that their commodity structures differ, and there are some enterprises which sell products on the world market that are not even sold domestically? These problems can be intensified. They can become more intense in those branches where the selection of manufactured goods may be put at several thousand and product turnover is rapid.

In the foreign exchange earnings index system, the producer price level of an enterprise could be brought to a common factor with the export price level. In this way the enterprise profit rates starting in 1980 could be determined. At the same time, export efficiency measured by way of the foreign exchange earning index could not be made into the base for guiding the producer price level. In this case, we would have had to reckon with the following problems. An enterprise becomes extremely interested in increasing export efficiency, which it can also realize with a reduction in the volume of exports by eliminating the uneconomic ones. The enterprise may concentrate its technical-organizational measures on activities oriented toward exports, and the price consequences of an efficiency improvement achieved in this way, with 5-10 percent of production, automatically can be extended to 100 percent of production.

In the interest of controlling the fulfillment of the prime-cost reduction plan indexes, the enterprises in the early 1950's had to divide their production into comparable and noncomparable parts. In this connection, a great deal of experience was accumulated in possibilities available to enterprises for grouping costs as they saw fit. The producer price regulation based on the foreign-exchange earning system has also revived this practice.



Therefore, the view has come about that the producer price level movement should be made, on one hand, a function of profit realized in export and, on the other hand, of the development of the export price level, although the information base in this case is not adequate. In the future we need to develop competitive price formation in such a way that the domestic prices will be realized according to control via export prices without, however, allowing this increase in the efficiency of production for domestic purposes to moderate enterprise incentive.

It appeared advisable to make broad use of competitive price where opportunity will arise to establish international competitiveness within 4 to 5 years by virtue of enterprise modernization, changes in manufacturing technologies, product modernization, product structure transformation, and not least of all by improving enterprise marketing policies.

#### The Link Between Producer Prices and Reimbursement

On the world market our industrial enterprises are in competition with firms for which the taxation arrangements make it possible for them to offer their products at lower prices in export than in domestic trade. They do this by reimbursing the enterprises from the budget for exports on which the "added value tax" (the so-called net trade tax) is adjusted to certain production phases. In Hungary, a 24 percent tax is charged to wage costs in producer price calculation, and this is paid by the enterprises. This is the same as the "added value tax." Moreover, it is characteristic of the new Hungarian price system that energy and material costs for the enterprises are determined by the purchase price in the most expensive trade relation; the budget withdraws the price difference of the less expensive acquisition source--as a differential producer trade tax. In international trade, of course, this is a disadvantage which can be countered only with a tax rebate.

Bearing in mind the growth of efficiency and profitability, there developed in financial regulation

--a linear, general 10 percent differential producer sales tax reimbursement calculated on the exchange rate,

--production modernization support adjusted to characteristic relations.

The tax reimbursement is permanent, while the production modernization support is temporary, the process of its reduction announced beforehand. It is in this way that the reimbursement system expresses its influence on the modernization of production, structural transformation, and in final analysis on the attainment of competitiveness.

The assumption is that the reduction of production modernization support is countered by the improvement of economic efficiency.

## On the Price of Areas Noncompetitive from the Viewpoint of the Price System

Both in agriculture and transportation, price formation keeps in mind the requirement of proportionality. In both sectors, the relative price of the individual branches (products, achievements) is regulated by usefulness measured by the consumer. Naturally, the situation is not entirely the same in the food economy and transportation. In volume and ratio alike, the food economy is an important export producing branch. In view of this fact, we developed relative prices as a function of export prices in important branches of the food economy.

We cannot forget that both in agriculture and transportation actual expenditures have an important role in the development of the general price level, or at least in the formation of the price-level "demand." It is difficult to suppress that routine way of thinking which links deficit not with poor management but with price obsolescence. According to this mode of thinking, price cannot be a critique of management, its only task is that it should assure the self-financing conditions for the developing price level with developmental, technological and plant operational decisions independent of price.

We must devote greater attention than heretofore to this problem. In agriculture of the 1970's, the role of an increasing material and technical supply was disproportionately great in the relatively rapid rate of quantitative growth and the role of improving efficiency was relatively small. In transportation we can still observe such development trends as came about prior to the 1973 oil price explosion and which were built on cheap hydrocarbons and expensive solid fuel relations.

Official prices are being widely realized in agriculture and transportation. In both sectors there is considerable budgetary support. Agriculture can make a profit only with reduced prices, budgetary subsidies for the means of production that make possible modern agrotechnology. Under such circumstances when we are converting in industry to competitive prices and wish to exert pressure with degressive supports toward improved efficiency, it is justifiable to bring up the question whether we should examine in the agriculture and transportation sectors similar possibilities for the introduction of a mechanism to supplement the price system.

The normative systems of budget preparation will apparently solve the negative features of a prime-cost price system in the construction industry (for investments.) The building industry cost calculation norms, the accessory costs established by the price office, and the normative profit index form the basis for determining the price of a construction. However, we know that because of making it possible to adjust to individual circumstances and other causes, this price system--despite every effort--exercises relatively little pressure on rational management.

The construction industry (even more the investment) price system has changed in several essential points. The new construction industry price system

introduced in 1980 uses clearer definitions in respect to the chargeability for cost surpluses of constructions being carried out under special circumstances, and it made the incentive of the construction industry independent of material cost. This happened in such a way that the budgets are prepared under a so-called two-column system. They separate the material and freight costs, and this is not to project a base for profit.

However, we did not manage to carry out a comprehensive formation of the investment price system. But there is need for this because the current price system developed historically under relations that existed when investments were characterized by surplus earnings, construction without plan documentation, and a slackness in technology and work discipline. We must continue to develop the construction industry price system in 1980-1983. A powerful step forward will be represented by the introduction of a contracted norm system, which will create a more organic relationship between cost calculation and the mode of construction. Even independently of this, we must take steps in the coming years to strengthen the undertaking character of investment-execution. The gradual elimination of excessive investment demand will create more favorable conditions than those that existed heretofore, which in the first half of the 1980's may make it possible to make extended use of the competition-negotiation system in price formation.

#### The Three Phases of Price Change

We have established that there have been three phases in the price change. The first was the price modelling which began in 1978 and lasted until the middle of 1979. The second followed thereafter and was concluded by the end of 1979 with the introduction of new producer prices. This was the actualization phase. The third phase--the so-called rectification--lasted until the autumn of 1980.

During the model phase, three problems were in the foreground of attention. 1. The determination of the price formation guidelines. 2. The determination of the price and cost structural changes. In this respect the most essential measures were the following: a) the elimination of the capital use tax, b) the elimination of the pay tax, c) regulation of the technical development fund, d) the decision not to reevaluate fixed assets, and 3) the regulation of normative profit. 3. The main limits of a model-type depiction of the new price system, taking the 1977 world market price for materials and energy as the base, was 36 forints for 1 U.S. dollar.

The main variations of the actualization phase from the first may be indicated in the following. 1. In the model phase, the price formation principles of the various sectors including individual branches were defined in general. In the second phase, it was necessary to carry out the concrete application of the principles to the branches (enterprises). 2. In this phase it was necessary to substitute the 1977 world market price for energy and materials with prices that were developing for 1980. Considering the inflation that occurred on the world market in 1977-1979, the U.S. dollar's equivalent value was set in the actualization phase no longer at 36 but at 34 forints. It

was necessary to do this to keep the inflation expressed in the U.S. dollar from drawing in its wake an inflation of similar extent in the foring.

3. The model calculations occurred largely at macrolevel. The actualization could occur only with enterprise cooperation. The main characteristic of the second phase was represented by the transposition of the macromodels to the micromodel.

In the second phase it was precisely the transposition which caused the most problems. Calculations performed with the enterprise input-output price-level change index revealed several "price change deficits" of tens of billions in the National Plan Office, the Finance Ministry and the National Material and Price Office. The "price change deficit" was an indication of the fact that with the formation of the new prices the enterprises built into their calculations such costs as did not actually exist. The enterprises--with due respect to the exceptions--overevaluated the costs they incurred, and thus they set up the 1980 starting costs by adding the normative profit to the inflated production costs.

This tendency is not of recent origin, and it has to be reckoned within the other socialist countries as well. But the situation is relatively simple in an economic guidance system where the profits belong to the budget and the profit incentive of the enterprises rests on its surrender, or the so-called "residue" principle. In Hungary, the profit belongs to the enterprise, on which the state puts a tax. Therefore it was necessary in the actualization phase to order a producer price level decrease of about 4 percentage points in the processing and construction industries and in commerce on the assumption that the 1980 starting prices will in this way bring the price level in harmony with the normative profit rates.

As of the present time, the third phase, the rectification, has come to the foreground. The decrease in the producer price level carried out in the second phase did not represent a complete solution for two reasons. First of all, because the macro-calculations carried out in the branch relations still give evidence of the existence of price change reserves. Secondly, because the price change errors are obviously not linear. Important interests of ours are linked to two matters. First of all, to the fact that industrial enterprises left out of the competitive price formation system should not arrive at a better position than enterprises in the progressive industrial branches. Secondly, to the fact that the price-change criteria of the normative profit should be realized.

In the new price system, profit has an economic content. In industrial branches, where we used competitive price formation, export efficiency must regulate the starting profit rate. Thus if this is based on mistaken calculations, the error must be corrected. In agriculture, transportation and in general where profit is regulated by budgetary support, the support must be corrected if it becomes evident that by virtue thereof the profitability is greater or smaller than planned. The rectifications must be carried out on the basis of enterprise balances for the first quarter of 1980 or the first half year.



Now we also see where we forecast world market prices poorly. In the case of several materials, we knew in the second phase of the price change that at the beginning of 1980 the world market prices would be higher than the starting price. These variations may be cyclical or permanent. In the latter case they can be purely the expression of the world market inflation, but they may also indicate the changes occurring in price relations (relative prices). We cannot shut ourselves off from a systematic examination of these price movements or from adjustment to changes in the international price structure.

The "maintenance" of the new price system is a new task although the problems themselves are not new; we were able to familiarize ourselves with them in relation to the partial price changes carried out since the 1973 oil price explosion. It is therefore justified to characterize the price change by saying that it established a new course for price policy and not simply that it introduced new prices.

#### Prices Awaiting Solution

It was established both with the new price and financial system which has been put into effect and the foreign market price and cyclical situation that the elements and operational mechanism of the economic conditions system still contain uncertainties. We do not have experience in the operation of the price and financial system as whole, but least of all in enterprise reaction processes. We only know that at the macrolevel and microlevel alike there is a need for a basic change in the mode of outlook. The problem to be solved is more serious than would allow us to see for the solution by pointing the finger, as usual, at others instead of exercising self-study.

Moreover, there are questions where we must define a unified economic political attitude with clearer forms than at present. This refers, for example, to exchange rate policy. In respect to this, requirements appear regarding the improvement of the equilibrium situation; the strengthening of foreign exchange stability, of a rational price-level protection, and normalization; and the reduction of budgetary supports. These are often contradictory. Through a combined study of the effects we will have to come up with a solution which assures a balanced economic development.

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DEPUTY MINISTER INTERVIEWED ON FUTURE OF MINING INDUSTRY

Budapest MAGYAR NEMZET in Hungarian 27 Jan 80 p 3

[Interview with Dr Laszlo Kapolyi, deputy minister of heavy industry, by Gabor Kapuvári]

[Text] It is a well-known fact that Hungary is a country with few sources of raw materials. Nonetheless, millions and millions of tons of mineral products are obtained from the surface and the depths of the earth. The view that domestic deposits will soon be depleted is widespread. We interviewed Dr Laszlo Kapolyi, deputy minister of heavy industry, about these matters.

[Question] What is the true situation; to what extent does Hungary have adequate raw-material reserves?

[Answer] It is quite true that Hungary is not a country with an extensive mining industry. However, I wish to add some information concerning our mineral resources. Mineral resources located in the country represent approximately 20 percent of the total resources. Our economically mineable coal resources suffice for 130-140 years at the present level of consumption. Our coal production can be doubled in terms of quantity and trebled in terms of caloric content by developing our operations for mining soft coal and high-quality brown coal, as well as for strip mining of lignite. The present level of our hydrocarbon production can be ensured for at least 20 more years at the present level, using already confirmed deposits, searching for additional deposits, and introducing methods for increasing the yield. Domestic coal and hydrocarbon mining, together with uranium-ore mining, may cover half to two-thirds of the energy needs of the national economy by the turn of the millenium.

## Our Mineral Resources

Insofar as metal ores are concerned, we have a sizeable bauxite reserve, measured with the European yardstick, which is capable of meeting the needs of our export-oriented aluminum industry beyond the turn of the millenium. Our copper-ore deposit in Recsk, which is watched internationally, is sizeable, and it is still being explored. Exploitation of this deposit, which is scheduled to start during the 1980's, will ensure that our needs of copper will be met. We expect that our production of lead and zinc ore, molybdenum, and rare metals will increase also. Our iron-ore deposits cover only 10 percent of our needs; thus, we must import iron ore. Our manganese-ore reserves are considerable; we can meet two-thirds of our needs presently and expect that this can be continued beyond the turn of the millenium.

We have considerable deposits of high-quality dolomite, limestone, silica, perlite, glass-sand, bentonite, illite, and clay mineral. Of these, our present annual production is 3.4 million tons, and we wish to double this.

Studies indicate that the present ratios of our energy and raw-material supply can be maintained in the long run by developing our mining operations.

[Question] What measures have been implemented in coal mining to ensure that our production becomes more satisfactory?

## Mechanization, Organization of the Work

[Answer] The primary emphasis of our efforts is aimed at improving the utilization of our mines, so as to compensate their declining capacity by mechanization, work-organization measures, and the like. We will expend approximately 3.5 billion forints for geological studies in 1980; of this, approximately 700 million forints is earmarked for studies of coal, ore, and other mining products. To meet our demands for coal and to decrease the level of coal import, we must construct new mining facilities faster than before. It is our goal to start production in Markushegy and Nagygyhaz on the 30th Day of the Miners which will be in 1980. Even our restricted investment resources will suffice to realize our aim, which is to start production by exploiting the upper strata of the deposit and to concentrate the working sites. The following major new investments are worth mentioning: expansion of the strip-mining area in Mecsek, solving

the problem of storing liquid bitumen at the Dorog briquet factory, construction of the shipping concentration in Oroszlany, and strengthening the self-constructed background of the eocenic mines. We shall proceed with the repair and modernization of production mechanization, and of underground and surface transportation.

[Question] Are there known new methods and is there new equipment which could significantly improve the work of the miners?

[Answer] Modernization of mining operations is a continuous task. New methods of production became widespread during the last 10 years: The strip mining operation in Visonta, which provides 30 percent of our coal production, has been completed, and half of the underground coal mining is fully mechanized. In bauxite mining, progress is represented by level-breaking mining with equipment that includes mobile loaders and transporters, secondary production has been introduced in petroleum mining to increase the yield; and experiments are in progress with tertiary production techniques. It is evident that mining has undergone a transformation. Production has almost doubled while the manual labor plays a decreasing role.

This development will continue; by developing the mining technologies further, we expect to double or treble production with 10 to 20 percent fewer miners than we employ today. This accomplishment will be achieved in spite of the fact that—for the assumed product mix—one-third of the solid mineral raw materials will come from deep, gas-laden, and wet mines, and we may have to drill down to depths of 3 to 7 kilometers in hydrocarbon mining. It follows from this that mining can be made more efficient only with the aid of modern mining equipment, modern technology, and the development of novel methods of exploitation. It is our wish to develop continuous machine chains and automated service equipment. In underground ore-mining operations major advancement will come from the introduction of mobile loaders and transporters, and from the implementation of vibration techniques.

#### New Deposits

[Question] How successful are the tests aimed to find new deposits? How is the above-mentioned sum of 3.5 billion forints spent?

[Answer] The task of ore and mineral mining is to meet the increasing domestic demand and to contribute toward increased export of mineral raw materials. The most important sector of the geological studies aimed at



expanding the base of mineral resources will be in 1980 still the study of the depths in the Recsk area. It is expected that the research facilities for the mining of this copper-ore deposit will be completed this year. Studies in the field of miscellaneous minerals are aimed at expanding the known resources of zeolite, kaolin, silica, perlite, and quartz sand, and to obtain more knowledge concerning these resources. It is expected that bauxite production will exceed three million tons in 1980, and that at the same time the personnel will decrease by 1-2 percent. The studies continue to predominate in the Nyirad area.

This year's goal in hydrocarbon mining is the production of 2.1 million tons of petroleum and six billion cubic meters of natural gas. To prepare for the tasks mandated by the Sixth Five-Year Plan, we accelerate this year our seismic studies, and next year conclude our experiments aimed at increasing the yield of the petroleum deposits.

#### Safety

[Question] Mining is a hazardous profession. What is the status of safety engineering and what developments may be expected in the near future?

[Answer] The severe accidents, which occur from time to time, made the general public increasingly aware of the safety problems of mining. However, less is talked about the efforts which are being exerted toward making the mining industry safer. It is a fact that by modernizing the mining operations and by improving the instrumentation, we carry out a coordinated battle against the hazards of nature. As a result of this battle, the number of accidents per production of one million ton decreased to one-third of the level of 30 years ago, and the number of fatal accidents to one-fifth.

We regard safer mining operations as our basic task. Against explosive mine vapors and fires we introduce automatic protection devices, better instrumentation, and systematic upgrading of ventilation. We plan to introduce combined water-protection measures in mines threatened by carst-water penetration. Automatic protection devices, hydraulic supports, and steel and concrete reinforcements all serve to protect against collapse. Since in the future we will have to mine at great depths, we must prepare for solving the special protective measures that will become necessary. Many accidents occur during material transportation in narrow tunnels, therefore we introduce automated conveyor-belt transportation, suspended-rail movement of material and personnel, and similar measures.

We plan to introduce automation in every mine; we will monitor the technological processes and mine safety by instruments which at a later stage could be connected to a central computer.

In addition to perfecting technological equipment, we must also upgrade the proficiency of the miners. Safety will continue to be significantly affected by the skill, discipline, and working methods of the miners. The character of mining work will undergo a transformation, the role of heavy manual labor will decrease in importance, and the primary function of the miners of the future will be the operation of machinery and instruments. It will be with these facilities that nature will be increasingly conquered. It is my belief that today's effective work of the miners, as well as their competence, is the foundation of further development and the guarantee for further advancement.

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## ECONOMIC COLLABORATION WITH DEVELOPING COUNTRIES REVIEWED

Bucharest REVISTA ROMANA DE STUDII INTERNATIONALE in Romanian No 4,  
Oct-Dec 79 pp 449-460

/Article by Dr Ion Avram and Dr Maria Avram/

/Text/ In Romania's overall foreign relations of broad international collaboration and of assertion of the forces of socialism, democracy and progress, broadening of cooperation and militant solidarity with the developing countries is one of the basic guidelines of the Romanian Communist Party, reasserted and enriched with new ideas of historical documents from the 12th party congress. The strengthening of Romania's collaboration and solidarity with new sovereign states, with developing countries and with the nonaligned countries has its deep historical and social-political motivations. As a socialist country which, by traveling 35 years ago the open path of the antifascist and anti-imperialist revolution of social and national liberation, liquidated internal inequalities and built a superior social-economic system, Romania is being called on, together with the other socialist states, with the countries which have traveled the path of independent development and with all progressive forces in the world, to make its contribution to establishing relations between states based on the principles of international justice, of a new world economic and political system. At the same time, active solidarity with the states which are struggling for their free social and economic development is founded on the fact that, as a country with a developing economy, Romania, which throughout its history has carried out a difficult struggle against foreign oppression and exploitation and for social and national liberation, feels close to the peoples which have seen or are still seeing foreign domination and it is linked with them through the many similar concerns, through common interests and hopes for progress and civilization, through the aspiration and effort to overcome the current lags separating them from the industrialized states.

Acknowledged in the party program and other party documents and scientifically substantiated with a great convincing force by the party's secretary general and president of the republic, Comrade Nicolae Ceausescu, the broadening of relations of collaboration with the developing countries corresponds to the demands for the faster progress both of our country as well as of the particular countries, along the path of progress and the need for establishing

a new international economic system. Proceeding from this, "Romania is placing its relations with the developing countries in the context of the general struggle against imperialist and colonialist policy and for the right of each people to be master of its national wealth, of its fate and to assert itself freely and with sovereignty along the path of independent social-economic development as well as in international life."\*

The unbending basis for our country's relations of collaboration with the other developing countries, as well as with all states, is the principles of equal rights, independence and national sovereignty, noninterference in internal affairs, mutual advantage, rejection of force and the threatening with force and the right of each people to utilize its resources for its good and national prosperity.

Comrade Nicolae Ceausescu has a decisive role in elaborating and implementing the basic guidelines for broadening Romania's relations of collaboration with the developing countries and the nonaligned states, the majority of which have developing economies. His historic trips to more than 40 developing countries in Africa, Asia and Latin America, the visits from leaders of more than 35 developing and nonaligned countries in Romania as well as meetings at the same level occasioned by international meetings have brought identification of the opportunities for extending and deepening the collaboration with these countries, giving new impetus to mutually advantageous cooperation. Along with the particularly important political documents signed at these times--treaties of friendship, solemn statements and joint statements which have reaffirmed and developed the principles of relations among states with universal value, establishing the principled framework for Romania's collaboration with the particular states--many agreements and understandings of economic and scientific-technical cooperation as well as in the area of cultural, educational and instructional activity and health protection and so forth have been concluded. Of the nearly 100 countries with which Romania has concluded long-term understandings of collaboration at a high and government level, more than 60 are developing countries. Six treaties of friendship and cooperation, eight joint communiques as well as about 30 agreements and understandings of cooperation in various areas were concluded during President Nicolae Ceausescu's official visits of friendship alone in the spring of 1979 to eight African countries, visits which are an important contribution of Romania to the continuing strengthening of relations of collaboration with all the peoples traveling the path of free and independent development.

A prime role in broadening Romania's relations with the developing countries is played by the broadening and strengthening of ties of friendship and solidarity between the RCP and government parties in these countries as well as between our party and movements of national liberation. On the occasion of the mission of peace and friendship of Comrade Nicolae Ceausescu to Africa this spring, agreements of cooperation were signed between the PCP and

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\* Nicolae Ceausescu, "Speech at the Festive Meeting Devoted to the 35th Anniversary of the Antifascist and Anti-imperialist Revolution of Social and National Liberation in Romania," SCINTEIA No 11, 509, 23 August 1979.



government parties in Angola (MPLA--the Labor Party), Zambia (United Party of National Independence) and Mozambique (FRELIMO) and meetings took place with leaders of all the national liberation movements in south Africa.

Within its relations with the developing countries, Romania is giving special attention to scientific-technical and economic collaboration. The natural result of this realistic guideline in full consensus with current world requirements is growth in the number of developing countries with which our country maintains economic relations--from 7 in 1950 to more than the current 100--and rise in the volume of commercial exchanges with them by more than 30 times in the 1960-1976 period. In close connection with the evolution shown above, the share of developing countries in Romania's overall foreign economic exchanges has risen from 4.7 percent in 1960 to more than one-fifth currently, and it is to reach nearly 25 percent by the end of this five-year plan. It should be noted that the rise in Romania's economic exchanges with the particular countries is higher than its overall foreign trade. Differentiated by countries and continents, this rise was more pronounced with the African countries and the volume of economic exchanges with them was 36 times greater in 1978 than it was in 1965.

The rising development of Romania's relations of economic collaboration with the developing countries is also reflected in certain changes in the hierarchy of its exchange partners. In this regard, it is significant that, whereas only advanced countries were on the list of the first 10-15 of Romania's commercial partners in the total 141 states with which it maintains economic relations until not long ago, in recent years some of the developing countries also have been included among these partners.

Analysis of Romania's trade structure with the developing countries brings out the diversification throughout the period of both imports and exports and a permanent improvement in their structure. The list of Romanian exports to these countries, reflecting the aid Romania has given with a view to assuring their economic progress, first includes a broad range of machinery, equipment and means of transport which, together with the group of chemical products, fertilizers and rubber, represents a 40-50-percent-share in recent years.\* Recently Romania also has been exporting to these countries a broader and broader assortment of products of light industry (knitwear, shoes, woven items), of the wood and cement industry, agricultural food items, products from the consumer cooperative and so forth.

The evolution of imports from the developing countries is characterized by the fact that industrially processed products--machinetools, subassemblies, buses, textile products--and products from the food industry have been added to an increasing extent in recent years to the raw materials and some traditional agricultural products. This direction for Romanian imports from the

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\* Doc. T.C./243/Supplement 1, p 19, 20, 22, Manila, May 1979.

developing countries represents an encouragement and direct aid given to the particular countries, since by this they are offered the opportunity to sell the products of their industry which is being formed and they obtain supplementary financial resources.

Concerned with finding the most appropriate means of adapting to the specific requirements and conditions of the developing countries, Romania is broadly promoting the system of delivering goods on credit, under advantageous conditions with regard to the terms, stability and interest, particularly installations, equipment intended to build economic projects as well as the system for delivery with payment in products both within the ordinary commercial exchanges as well as actions of cooperation, which is a real help for the partners.

In accordance with the evolution of the world economy and with the principles and goals of its foreign policy, Romania is extending relations of economic and scientific-technical cooperation with the developing countries as an important long-range form of cooperation with them, a higher step in deepening the economic interdependencies between nations under the impetus of the scientific-technical revolution and changes in the international division of labor. In our party's concept, this is a superior way of utilizing human and material potential and a way to reduce and gradually eliminate lags in social-economic development. As the RCP Program states, "Cooperation in production will answer the mutual interest of raising industry, agriculture and other economic branches, will speed up each country's social-economic progress and will contribute to eliminating underdevelopment and to the faster forward progress of the states which are traveling the path of independent development."<sup>2</sup>

It is significant that more than half of Romania's actions of foreign economic cooperation to implement this important goal of our party's program are being carried out with developing countries, while our country's deliveries for these particular actions represent around 50 percent of the value volume of Romanian exports to these countries.<sup>3</sup>

Socialist Romania's remarkable achievements in the decisive branches of economic development have created the necessary conditions for its participation in more than 130 actions of cooperation in around 50 developing countries in such important branches of their national economies as mining and the chemical industry, machine construction industry, forestry and construction

1. "Evaluations on the Advantageous Nature of Credits Accorded by Romania," see Document T.D./243 Supplement 2, Manila, May 1979, p 28.
2. "Program of the Romanian Communist Party To Create the Multilaterally Developed Socialist Society and Direct Romania Toward Communism," Bucharest, Political Publishers, 1975, p 177.
3. "The Economy of Socialist Romania in the Works of President Nicolae Ceausescu," Bucharest, Political Publishers, 1978, p 415.

materials industry, agriculture, the textile industry and various areas of the infrastructure.

Among the many forms of cooperation promoted by Romania with the developing countries, depending on the specific conditions and interests of the partners, joint companies are taking on greater and greater importance. Established on the basis of standards of international ethics and equity and legislation of the countries on whose territory they are established, these companies with Romanian participation are integrating their activity organically in the programs for the social-economic development of the particular states, thus contributing to carrying out the industrialization and superior utilization of their natural resources.

As a result of the interest in this advanced form of cooperation, more than 30 joint companies with Romanian participation have been created in the other developing countries, of which more than 20 are in Africa.

Reflecting our country's economic and scientific-technical capacity for participating in a large variety of actions of cooperation, the joint companies with Romanian participation are in the most diverse areas of activity. Thus, 11 have the goal of carrying out research, exploration and mining exploitation, 7 are specialized in agrozootechnical problems, 3 are for wood exploitation and industrialization, 2 are for the design and carrying out of industrial or social-municipal construction and there is one joint company each for the production of machine tools, cement, natural rubber, the manufacture of salicylic acid, in the leather industry, the production and commercialization of chemical adhesives, the commercialization of tractors and so forth.\* Joint banks with Romanian participation also have been created to facilitate banking operations.

An important role in the overall relations of cooperation which Romania has with the developing countries belongs to technical and specialized assistance given in building economic projects, in carrying out prospecting and exploration for utilization of natural resources as well as in training the cadres necessary to implement the national strategies for social-economic development. In some developing countries there are technical and consulting bureaux of the Socialist Republic of Romania.

Carried out on the basis of contracts and bilateral agreements or through international organs such as UNIDO, UNDP, FAO, UNESCO, WHO and others, Romania's scientific-technical collaboration with the developing countries is seeing a multitude of concrete forms for materialization and continued development both in volume and sphere of inclusion as well as geographical area. In this regard it is significant that the number of Romanian specialists participating in implementing the programs of cooperation with the developing countries has risen from 4,000 in 1975 to more than 15,000 at present, at the same time also extending the geographical area of the states

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\* "Nonalignment Movement," V. Sandru coordinator, Bucharest, Political Publishers, 1978, p 208; C. Moisuc, "Romania's Participation in International Economic Collaboration," Bucharest, Political Publishers, 1978, pp 105-106; Document T.D.243/Supplement 2, Manila, May 1979, p 29.

where they are carrying out their activity--from 45 countries in 1975 to nearly 60 states in 1979. A large number of Romanian specialists are in these countries as experts of the various UN organs.

Giving special attention to the nature of assistance assured by Romania through the specialists to the developing countries and stressing its political significance, Comrade Nicolae Ceausescu stated: "As representatives of a socialist country, we must work so that we show it is possible to establish completely new relations in the world among peoples, relations opposed to the old relations which were promoted--and are still being promoted in some countries--by the colonialists and neocolonialists."\*

Under the conditions of accentuated scarcity of national cadres in the developing countries and demonstrations by certain industrialized states to hinder or even block these countries' access to the achievements of modern science and technology, the assistance given by Romania in this area is of particular importance. Its value is also due to the fact that approximately 40 percent of the Romanian specialists in such countries as Syria, Egypt, Algeria, Lebanon, Nigeria, India, Iran, Zambia, Kenya, Ecuador, Argentina, Peru and so forth have higher training and once they contribute to building economic projects with the qualification of independent personnel an important transfer of modern techniques and technology also is achieved.

Along with the national cadres trained on the spot, in production or in the universities and higher education institutes in the particular countries, where around 1,000 Romanian teaching cadres are working, a large portion of the specialists in the developing countries are qualified in higher education from Romania. Although a developing country, it itself must cope with certain difficulties connected with assuring the material base for education and Romania is creating opportunities for the study of more than 15,000 youths, particularly from the developing countries; the Romanian state is assuring the majority of them with big scholarships. In recent years our country has institutionalized the "Nicolae Balcescu" scholarship given, under UNESCO aegis, to young people who wish to have advanced training in prestigious areas for the Romanian schooling: petrochemistry, mathematics, civil and industrial construction, architecture and so forth.

Besides state institutions, other forms of higher education existing in Romania also are being used to train cadres from other countries. The Stefan Gheorghiu Academy, where the International Center for training CEPECA cadres operates, each year hosts more than 5000 students from more than 70 countries; they are following management programs, journalism or programs intended for members of the trade union and youth organizations. The joint UNIDO-Romania center, which has operated 7 years in Bucharest, also trains cadres from the developing countries for the chemical, construction materials and pharmaceutical industries. Within this center, many specialists from 44 countries until today have followed various forms of education.

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\* Nicolae Ceausescu, "Romania on the Road To Construction of the Multilaterally Developed Socialist Society," Volume 7, Bucharest, Political Publishers, 1973, p 193.



Until today 235 highly qualified cadres from 30 developing countries have been specialized at the UN-Romania Demographic Center (CEDOR) established in Bucharest in 1974.

Conceived of and achieved in the spirit of the mutual interests of the partner states, Romania's relations of economic and scientific-technical collaboration with other developing countries, with the nonaligned states, as an integral part of the foreign policy of our party and state, are an eloquent picture of the actual solidarity of the Romanian people with the aspirations and efforts of the peoples from these countries to speed up their social-economic progress and consolidate their national independence and represent an important contribution to establishing a new, equitable order in the world.

Reflecting our party's policy of high principled conduct, its firm and consistent actions to carry out the commandments of the era and the documents of the 12th party congress provide for continued broadening of Romania's collaboration with the developing countries for the mutually advantageous utilization of national resources and for growth in their scientific-technical potential in the 1981-1990 period and until 2000. In accordance with the congress documents, special attention is to be given to cooperation with the developing countries along the line of utilizing the energy resources of these countries by carrying out geological prospecting and exploration, building projects in this area and together identifying new sources of energy and improving the appropriate technologies. Following this direction, Romania's commercial exchanges with the developing countries in the next five-year plan will see new dimensions, with their share estimated to rise to more than 25 percent, while economic cooperation will continue to represent the main share in foreign economic relations (in 1985 it will double over 1981).

Relations of Romania's active collaboration with the other developing countries and with the nonaligned states bilaterally are finding their natural extension in multilateral cooperation within the United Nations and other international organs in order to solve both the problems of mutual interest as well as those of a general nature which are confronting mankind. This cooperation is being carried out in the mutual aid given during the discussion of the particular problems on world forums, in the joint initiation or elaboration of many projects to be resolved, which have made and are making important contributions to solving some complex situations, in promoting the spirit of understanding and cooperation between peoples in the interest of peace and general progress. Among the more important documents adopted by the United Nations on the initiative and with the substantial aid of Romania and other developing countries, we mention the Statement and Program of Action for establishing a new international economic order, the Charter of the rights and economic obligations of states, the resolution of the special 7th session of the world organization for international development and economic cooperation, which used as a reference point the document entitled "Romania's Position on Establishing a New International Economic Order" and so forth.

Romania's unanimous acceptance into the "Group of 77" by the ministerial meeting in Manila in 1976 and the decision to give it permanent visitor's status for the activities of the nonaligned movement adopted by the high-level Colombo conference in August 1976 are significant recognitions of the broadening and strengthening of our country's relations of collaboration and solidarity with the other developing countries and the nonaligned countries and are conclusive expressions of the consistency and principledness with which our party and state take action to promote common goals, to carry out the people's right to be masters of their fate totally, to solve the problems confronting mankind and to establish a new, more just and better order in the world. Through these very important acts for intensification of Romania's collaboration and solidarity with the developing and nonaligned countries, our country has gained new opportunities so that, together with its active contribution together with the other socialist countries to the struggle for socialism, it can participate in an even broader front alongside the other progressive forces in the struggle against imperialist and neocolonialist policy of domination and exploitation and for peace and independence.

Establishment of Romania's participation in the activities of the "Group of 77" and of the nonaligned movement has stimulated the continued broadening of its cooperation in the international arena with these states, a fact carried out in the preparation for and carrying out of very important international actions such as the special UN General Assembly session devoted to disarmament in 1978, the UN conference for Science and Technology in the service of development in Vienna, the high-level Havana conference of non-aligned countries which took place recently and the ministerial meetings in Belgrade and Colombo which preceded it, preparations taking place for the extraordinary UN General Assembly session of 1980 devoted to a new international economic order and so forth.

Romania's multilateral collaboration with the other developing countries is particularly productive in the "Group of 77" and the UN Conference for Trade and Development, a fact confirmed abundantly by the ministerial meeting in Bucharest, which prefaced the Vienna conference for science and technology as well as the meeting in Arusha and the 5th UNCTAD session. Consistently militating to strengthen the unity and cooperation of the developing countries and to strengthen their capacity to negotiate with the industrialized states, Romania participated actively in Arusha to work out a common strategy for these countries, aiming at the complex problems subject to debate at the 5th UNCTAD session to establish measures for the accentuated development of the developing countries and to implement some basic reorganizations in world economic relations.

The message which President Nicolae Ceausescu addressed to the 5th UNCTAD session this spring is a new and brilliant contribution to broadening Romania's relations with the backward countries and an expression of his constant steps to work out the concept for a new world economic order and carry it out. Organically fitting into our country's overall concept and that of President Nicolae Ceausescu regarding the establishment of a new order,

the proposals of measures included in the message comprise a rich and comprehensive program of action to fulfill this major goal of the modern age. This also explains the broad audience and particularly warm reception which the message enjoyed at the 5th UNCTAD session as well as the reception from international public opinion.

In its entire activity of economic and scientific-technical collaboration with the developing countries, Romania proceeds from the interdependence of the endogenous and exogenous factors of development, from the decisive role of one's own effort to the progress for each country and elimination of the economic differences between states as well as from the task of foreign relations, from collaboration and from intensifying the effort of each people to mobilize and utilize all national, material and human resources in the best way.

Reasserting this principled orientation, President Nicolae Ceausescu's message first brings out the need for elaborating an overall program up to the year 2000, with a first stage up until 1990, which would establish the measures for the more intense development of the main branches of the national economies of the developing countries as well as the study of the social-economic tasks and goals by geographical zones and elaboration of solutions for the faster development of these countries.

In stressing the role of foreign economic collaboration in eliminating underdevelopment and discrepancies between states, Romania is making sustained efforts to assert new relations and international economic mechanisms which would exclude the imperialist and neocolonialist policy of exploitation and would assure a real growth in the aid given to the developing countries. The basic restructuring of international mechanisms in Romania's concept means radical measures in world trade with a view to eliminating discriminatory practices, trade and non-trade restrictions and obstacles and protectionist policies--through bilateral agreements, multilateral negotiations and decisions agreed upon in international organs--in order to establish a system of free commercial exchanges and unrestricted cooperation which would favor the backward countries on a priority basis.

The urgency and importance of these measures is underlined by the fact that under current conditions the protectionism and various forms of discrimination powerfully affect the normal development of international commercial relations and are a hindrance to implementing the economic and social goals of the developing countries. Robert S. McNamara, BIRD chairman, pointing out the growth in protectionist pressures from the industrialized states, stressed in his speech at the 5th UNCTAD session that they "doubly affect the developing countries: directly, by reducing their opportunities to obtain foreign currency, aggravating unemployment and hindering them from increasing incomes, and indirectly, by hindering them from adopting policies in matters of investments in production and trade which would permit them to better use their resources and move forward faster on the path of development."\*

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\* Robert S. McNamara, "Speech Given Before the UN Conference on Trade and Development," Manila, 10 May 1979, p 17.

Under current world circumstances, together with the other developing countries, Romania is taking action to adopt urgent measures in the area of raw materials, fuel and energy for intensification of international cooperation based on respect for the national sovereignty of each state over its natural riches, for regulating trade with these resources and other basic products as well as for establishing equitable relations between prices for various categories of products.

Giving primary attention to improving international trade with basic products as well as to the entire series of actions for regulating the problems of these products, our country comes out firmly in favor of the fastest possible entry into effect of the integrated program for raw materials and of the hurry to establish the common fund for financing of this program. Solidary with the cause of the developing countries, even at the 4th UNCTAD session in Nairobi Romania decided to participate in establishment of the common fund for financing of the regulatory stocks of raw materials.

The elimination of underdevelopment and faster progress of the backward countries demand that certain equitable conditions be assured with regard to the international transfer of technology and for free and complete access of the poorly developed countries to scientific and technological knowledge and to new discoveries and technical innovations under advantageous conditions. Parallel with concern for placing modern science and technology at the base of development for the entire national economy, in this view Romania is giving an important role to the actions to aid the efforts of the backward countries on a worldwide level to strengthen their research-development capacity, to improve international cooperation in this area as well as to increase the technical assistance given by the developed states. Toward this end, our country feels it necessary to establish UN mechanisms, systems and programs intended to answer the needs and concerns of the developing countries with a view to speeding up their scientific-technical progress.

The persevering actions of Romania and of President Nicolae Ceausescu so that science and technology can serve the purposes and goals of the new world economic order and become basic factors in eliminating underdevelopment and the big differences between states have found their fullest expression in the initiative in organizing the UN Conference for Science and Technology in the service of development, in Vienna. The fact that the ministerial meeting of the "Group of 77," which established the joint strategy for the important stage represented by the Vienna conference for a new world order, was an eloquent recognition of the Romanian initiative and the effort made by our country to carry it out. Romania's position and the ideas and proposals formulated in the message which President Nicolae Ceausescu addressed to the conference, which met with unanimous appreciation and enjoyed a broad response, are found in many of the measures and recommendations adopted.



The basic interests of the struggle to eliminate underdevelopment and establish new, equitable relations in the world require the more and more active and united cooperation of the backward countries for their social-economic prosperity and for promoting their interests in relations with the developed states. As President Nicolae Ceausescu stressed, "We feel there is particular importance in the strengthening of the unity and solidarity of the developing countries, intensification of collaboration and cooperation between them and their mutual aid, with a view to solving the burning problems of social-economic progress with common forces."\*

In close connection with this and taking into consideration the well-known proposals of our country in having the "group of 77" and the nonaligned countries organize a joint meeting before the special UN session in 1980 for the purpose of establishing a clear concept and united program of action to implement the new world economic order, Romania has advanced the idea of establishing study and research organs by geographical zones as well as a permanent organ of the developing countries which, on the basis of a common platform, would deal with the industrialized states in an organized way and under conditions of full equality regarding the problems of relations between them.

Full mobilization of their own efforts, amplification of participation under equitable conditions in international economic collaboration as well as the strengthening of mutual aid and mutual cooperation of the developing countries must be joined together, in Romania's view, by a more substantial and concrete material aid from the industrialized states. This also is the reason for which our country's well-known proposal for the fastest possible establishment of the common development fund through participation of the industrialized countries on the basis of savings achieved as a result of reducing military expenditures enjoyed and is enjoying a broad and powerful response in the world.

Continuing the course of arming means misappropriating gigantic funds from their natural destination--development, progress and the people's well-being. The more than 400 billion dollars spent in 1978 for arming equals the cumulative gross national product of 65 countries in Latin America, Asia and Africa and are much above the official aid received by the developing countries from the industrialized ones. In this decade this aid has been reduced from .48 to .30 percent of the gross domestic product of the developed countries. It also is alarming that recently the developing countries also have been involved in arming, a fact which is a great obstacle in the path of their social and economic progress.

President Nicolae Ceausescu's proposals in the area of disarmament, which have been broadly substantiated in the document entitled "Romania's Position on the Problems of Disarmament and, Primarily, Nuclear Disarmament," presented to the special UN General Assembly session in 1978 and developed later, dwells on the gradual reduction in military expenditures so that

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\* Nicolae Ceausescu, "Message Addressed to the 5th UN Conference for Trade and Development in Manila," SCINTEIA No 1/1416, 6 May 1979.

their current level would be reduced 10-15 percent by 1985 and half of the savings achieved would go to aid the developing countries. Of great principled and practical value is the recommendation that primarily the countries with an average annual per capita income of up to \$500-600 would benefit from this aid and those which allocate at least 20 percent of their national income for their own development. This also is an impetus for the developing countries not to let themselves get involved in the course of arming and not spend more than 4-5 percent of their national incomes for military purposes, of course, under conditions of firm guarantees for security and nonaggression at the international level and respect for their independence and sovereignty.

Taking action with the greatest firmness to put all the countries into action and involve them, regardless of their social system, and acting for a more substantial participation of the UN in building a new world order which must be the product of understanding and cooperation among the entire international community, Romania is giving particular attention to the special session of the world forum in 1980. Dedicated exclusively to the new economic order, this session is being called on to make the balance of the first two "decades of development" and application of recommendations on a new order in the world and, on this basis, adopt a new strategy for development with clear, firm and involving provisions regarding the principles, directions and ways for eliminating underdevelopment and reorganizing current international relations. In this spirit, it would be truly useful to apply Romania's suggestion to establish a special UN organ formed of representatives from the developing countries, socialist states and advanced capitalist countries, entrusted with working out specific programs to eradicate underdevelopment and build a new order, which would be subject to debate and adoption by the special session in 1980. There also is great importance for stimulating faith and cooperation among states and for increasing the UN's role in our country's proposal to have that particular organ work out a charter on new principles for international economic relations which also would be presented for adoption by the world organization.

In close connection with its view and with the tireless activity put forth to strengthen the role of the UN and active participation of all states in world cooperation, President Nicolae Ceausescu pointed out in his message addressed to the 6th high-level conference of nonaligned countries in Havana, which was received with lively interest and unanimous appreciation: "In this framework, a special role, alongside the big powers, also belongs to the small and medium-sized countries, developing countries and nonaligned countries, which represent the great majority of the world's population and which are vitally interested in promoting a new policy of equality and respect for the independence of each nation, a policy of peace and international collaboration."\*

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\* Nicolae Ceausescu, "Message Addressed to the 6th High-Level Conference of Nonaligned Countries in Havana," SCINTEIA, No 11517, 4 September 1979.

Socialist Romania's policy of broad collaboration and solidarity with the developing countries is enjoying the highest appreciation in the world. Addressing President Nicolae Ceausescu, Ahmed Sekou Toure, president of the Republic of Guinea, stated: "The greatness of a people is not determined by demography or by the extent of its territory but by the role in world history, by the attitude toward the aspirations of the peoples of the world. If today Romania enjoys great influence in the world, it is the result of your loyalty to the positive values which are so dear to all peoples--respect for independence, liberty and legitimate interests of the nations--and your desire to cooperate with all peoples regardless of color, religion or nationality, and it is due to the active contribution to safeguarding peace and international cooperation and the aid given to speed up each country's development."\*

Continually broadening its collaboration and solidarity with the developing countries and the nonaligned countries, Romania at the same time is powerfully developing its relations of friendship and broad cooperation with all the socialist states, extending ties with all countries, regardless of social system, in this way making its well-known contribution to the cause of peace, friendship and closeness among peoples.

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\* SCINTEIA No 11486, 27 July 1979

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## MONEY SUPPLY DATA FOR 1979 GIVEN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Jan 80 p 4

[Article by R. Vuksanovic: "Growth of Money Supply More Modest Than Planned"]

[Text] High monetary expansion has been halted. Monetary policy measures are needed to exert an impact on bank liquidity.

The money supply in 1979 grew by 56 billion dinars, or 17 percent, which is 4 billion, or 1 percent, more modest than the anticipated growth (the figures for December are not final). Taking into account that the growth rate in the previous period of the current medium-term plan was considerably higher, we can conclude that monetary policy in 1979 was in line with the needs of economic activity and that the high monetary expansion which was a constant threat in the previous years to the process of stabilization has been halted.

## Money Supply by Sectors, in billions of dinars

	As of 31 Dec 79	Growth in 1979	Index	
			1978/1977	1979/1978
Organizations of associated labor in the economy	153.8	13.6	117	110
Federation	7.0	0.6	162	109
Other sociopolitical communities	33.3	6.2	167	123
Public funds	4.9	1.0	113	126
Other organizations	71.6	15.3	122	127
Individuals	97.8	16.9	133	121
Foreign deposits	0.8	0.3	100	160
Payments in process	16.3	2.2	233	116
Money supply	385.5	56.1	128	117

The withdrawal of money by means of foreign exchange transactions contributed considerably to the slower rate of monetary expansion, since in view of the larger growth of imports and exports the banks sold more foreign exchange to importers than they purchased from exporters. In view of the



measures taken to stabilize the balance-of-payment situation this year, it is felt that in the first half of the year there will be a faster inflow of foreign exchange and a larger creation of money on this basis. It is necessary, then, for the measures of monetary policy to have an impact on the liquidity of the banks so as to ensure that the growth of credit is brought in line with the needs of the economy and the goals of stabilization.

To that end the resolution for 1980 provided that at the very beginning of the year the banks would through their annual plans and business policy documents bring the growth of their own lendings into line with the anticipated growth of total lendings. This growth, according to the order of the SFRY Assembly on the goals and tasks of joint currency-issue and monetary policy and the joint bases of credit policy in 1980 may not exceed the anticipated nominal growth of the social product, which is 22 percent.

The composition of the money supply with respect to holders shows that last year the money supply of organizations of associated labor in the economy increased 10 percent, in the hands of other holders in the public sector about 25 percent and in the hands of individuals 21 percent. This shows that in 1979 there was a tendency for the money in the accounts of the economy to grow more slowly than in those of noneconomic activities, which definitely had an impact on the level of liquidity of organizations of associated labor. Among the holders outside the economy the largest increase was for money in the accounts of sociopolitical communities (except the Federation). The liquid assets of institutions and other organizations increased 27 percent and funds of individuals (cash on hand, giro accounts and current accounts) 21 percent, but we should bear in mind that the money supply did not include savings balances, which increased about 30 percent.

By contrast with the moderate growth of the money supply, total bank credit rose 207 billion dinars, or 25 percent, in 1979 (not including the last 10 days of December); within that the growth of short-term credit was 26 percent and the growth of long-term credit 25 percent. The growth was 29 percent for organizations of associated labor in the economy and 11 percent for consumer credit, while a reduction was recorded for other users of credit.

In the breakdown by republics and provinces total credit increased 28 percent in Bosnia-Herzegovina, 40 percent in Montenegro, 24 percent in Croatia, 27 percent in both Macedonia and Slovenia, 23 percent in Serbia proper, 33 percent in Kosovo and 23 percent in Vojvodina.

With respect to purpose the largest increase was in credit for production and inventories, including seasonal inventories of farm products, for exports of goods and services, for the sale of equipment and ships in Yugoslavia and abroad on credit, and for imports. The largest share of these lendings were made in conformity with the self-management accord of the banks concerning selective credit financing in 1979.

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DATA ON DANUBE, RHINE GOODS TRANSIT, FLEET STRUCTURE

Belgrade TRANSPORT in Serbo-Croatian No 12, Dec 79 pp 56-61

[Article by Milojko Davidovic]

[Excerpts] With the construction of the Rhine-Main-Danube Canal, a waterway of 3,500 km in length will be created. It will connect the Rhine with the Danube and create a direct water route connecting 13 European countries. In addition, the Rhine-Main-Danube Canal will connect Western and Eastern Europe through ports on the North Sea, as well as by Black Sea ports, with all the major maritime ports of the world.

The Rhine-Main-Danube waterway will begin at the port of Rotterdam on the North Sea, the estuary of the Rhine, and it will extend to the port of Sulina on the Black Sea, thus creating a great European water trunk route and deservedly claiming the title of the European Canal.

I The Transportation Market

Study of the transportation market in the region of the Rhine and the Danube rivers, including other internal navigable waterways that are directly connected with these international navigable rivers, is connected to transportation capacities, and therefore in this part of the article we will give a survey of the status and trends in fleet capacities, one which at the same time will constitute a survey of supply and demand.

1. Shipping of Goods on the Danube and the Rhine

a. Shipping of Goods on the Danube

Table 1 presents a survey of freight shipping on the Danube, with comparative data for 1971 and 1976. In that period the volume of cargo on the Danube rose by 28 percent. In the same period, shipping by the Yugoslav river fleet increased by 20 percent.

# The Shares of Danubian Country Fleets in Shipping on the Danube, 1971-1976

Country	Quantities of goods (thousand tons)		Ton/Km (millions)	
	1971	1976	1971	1976
USSR	10,714.6	15,649.2	6,449.3	9,706.8
Romania	5,291.0	10,297.0	1,378.0	2,150.0
Bulgaria	9,903.3	9,947.0	2,175.0	2,489.0
Yugoslavia	12,433.0	14,948.0	3,666.0	4,613.0
Hungary	9,259.4	11,973.1	1,524.4	1,677.1
Czechoslovakia	3,160.0	3,869.0	1,515.0	1,888.0
Austria	2,861.0	2,862.9	1,274.3	1,474.2
FRG	1,518.5	1,145.4	350.2	316.1
Totals	55,140.8	70,691.6	18,332.2	24,314.2

The volume of shipments on the Danube has increased steadily and it can justifiably be anticipated that the growth rate will continue in the future. As far as the share of the Yugoslav fleet in transporting cargo, there will certainly be a decrease in volume after the Yugoslav oil pipeline begins operating, since the Yugoslav fleet annually carries about 2 million tons of crude oil.

## b. Shipments on the Rhine

The data shown in Table 2 relate to shipping of goods on the Rhine River upstream and downstream and through the port of Rotterdam. Total shipping on the Rhine, however, as on all navigable waterways of the FRG and France, is significantly higher. According to official FRG data for internal navigable waterways, including the Rhine, in 1970 the total goods shipped amounted to 240 million tons, and in 1977 the total was 232 million tons of goods.

In France, internal navigable waterways including the Rhine carried 91 million tons of goods in 1976 and 92 million tons of goods in 1977.

If the above data are added to those of Holland, Belgium and Switzerland, in those years more than 300 million tons were shipped, and the conclusion follows that in 1977 internal navigable waterways of the Rhine countries carried more than 600 million tons.

The volume of shipping is completely in accordance with the high degree of industrial development of the states indicated, as well as with the fact that these countries have located their industrial centers precisely on the banks of the internal navigable water routes (as in the Ruhr, the Saar, and elsewhere).

Table 2. Shipping of Goods on the Rhine 1971/1976

Country	Goods Shipped 1971	Goods Shipped 1976
The FRG	31,531,000	36,780,000
Holland	56,074,000	60,656,000
Belgium	9,854,000	11,304,000
France	3,221,000	3,621,000
Switzerland	3,277,000	5,645,000
Other countries	654,000	492,000
Totals	104,611,000	118,498,000

The general trend on all navigable waters of the Rhine countries has been to increase the portion of river shipping devoted to carrying mass cargoes and other goods, while at the same time there has been a relative decline in the portion of total shipping done by the railroads and on highways.

c. Projected Shipping of Goods on the Rhine-Main-Danube Canal

The central question in this matter is that of the prospective amount of shipping on the Rhine-Main-Danube Canal, i.e., the direct connections that will occur between the Danube and the Rhine and the creation of a unified internal waterway.

According to a study prepared in 1969 by a work group of the European Common Market, a notion was presented on the projected volume of transportation in 1989 on the segment of the canal from Regensburg to Nuremburg. According to that projection, shipping from the Rhine via the Rhine-Main-Danube Canal for the trans-Danubian countries would total 9 million tons. At the same time shipping from the Danube area to the Rhine was predicted to amount to 6.5 million tons.

According to that projection, the Yugoslav share of that shipping of goods in both directions would amount to about 1 million tons.

Detailed figures on the volume of shipping on the Rhine-Main-Danube canal indicated in the projection are given in table 3.

Table 3. Estimated Projected Trends in the Volume of River Shipping in 1989 on the Segment of the Canal from Regensburg to Nuremburg (calculated)

	River Shipping Volume in million tons	
	North-South (West-East)	South-North (East-West)
1. Domestic Shipping in FRG		
a. local traffic	0.5	1.3
b. between the ports at Nuremburg and Mainz	0.7	0.9



Table 3. (continued)

	River Shipping Volume in million tons	
	North-South (West-East)	South-North (East-West)
c. between Rhine ports and other FRG ports	1.9	0.5
d. traffic in German ports on the Danube	0.2	0.2
Total of I	3.3	2.9
2. International Traffic		
a. southern Bavaria and Western European countries	0.1	0.1
b. southern Bavaria and transoceanic traffic	0.5	0.2
c. shipping with the trans-Danubian countries		
Austria	4.2	1.6
Hungary	0.2	0.4
Yugoslavia	0.3	0.7
Czechoslovakia, Romania, Bulgaria and USSR	0.4	0.6
Total I	5.7 [sic]	3.6 [sic]
Total II	5.7	3.6
Overall Total	15.5 million tons	

## d. The Share of the Yugoslav Fleet in Shipping on the Rhine-Main-Danube Canal

Shipping of goods on the Danube in the foreign trade of the FRG with Yugoslavia in both directions from 1970 to 1978 showed the following trend:

1970	562,164 tons
1975	166,052 tons
1978	94,079 tons

These figures show that the share of river shipping in transporting goods in the foreign trade of the FRG and Yugoslavia has dropped markedly. The decline in volume of goods shipped came in 1974 because of the cessation of bauxite exports amounting to 250,000-300,000 tons annually, and a major reduction in pyrite sales. At the present time, shipments on the Danube include chemical fertilizers, stock feeds, pyrite, ferrous metallurgical products and the like. Despite the situation that obtains after the construction of the Rhine-Main-Danube Canal, it can justifiably be expected that the volume of foreign trade between Yugoslavia and the FRG will grow markedly, and it can be expected particularly that the competitive capabilities of Yugoslav exports will increase, for the new route for transportation will significantly reduce transportation costs.

For these reasons, it is expected that there will be an overall growth of trade between Yugoslavia and all the countries of the Rhine region. These reasons will also lead to a reshuffling of the shares of particular types of transportation in Yugoslav foreign trade shipping with the countries of the Rhine region, with an increase in the volume of river shipping accompanied by declines in the volumes carried by other forms of transportation.

## 2. Fleet Capacities on the Rhine and the Danube

Table 4. A Survey of the Danube Fleet, 1971/1976

1) Zemlje		2) Remorkeri i gurati (potiskivači)		3) Samohodni brodovi		4) Šlepovi (uključujući i barže)	
		5) broj	6) KS 71/KW	7) broj	8) tona	9) broj	10) tona
11) SSSR	1971.	80	139.120	50	125.420	516	657.794
	1976.	80	155.440	61	175.415	544	713.566
12) Rumunija	1971.	289	91.812	23	3.323	804	411.588
	1976.	281	111.902	50	18.466	956	690.072
13) Bugarska	1971.	44	33.707	—	—	236	243.535
	1976.	46	41.620	—	—	249	284.842
14) Jugoslavija	1971.	258	94.430	24	8.797	909	626.734
	1976.	266	105.239	29	14.187	923	703.441
15) Mađarska	1971.	85	49.259	36	17.018	340	249.406
	1976.	91	57.216	30	17.185	353	265.444
16) ČSSR	1971.	18	23.390	11	15.603	153	163.166
	1976.	27	27.710	16	19.279	184	185.925
17) Austrija	1971.	26	23.105	29	29.556	194	183.214
	1976.	10	14.380	39	48.494	143	151.871
18) SR Nemačka	1971.	18	10.314	25	19.984	68	52.776
	1976.	29	8.694	45	34.995	60	50.407
19) Ukupno	1971.	818	465.137	198	219.707	3228	2.588.213
	1976.	830	522.201	270	328.821	3412	3.043.568

Key:

- |                                  |                    |
|----------------------------------|--------------------|
| 1. Country                       | 10. tons           |
| 2. towing and pushing tugs       | 11. USSR           |
| 3. self-propelled ships          | 12. Romania        |
| 4. various types of barges       | 13. Bulgaria       |
| 5. number                        | 14. Yugoslavia     |
| 6. total horsepower of kilowatts | 15. Hungary        |
| 7. number                        | 16. Czechoslovakia |
| 8. tons                          | 17. Austria        |
| 9. number                        | 18. The FRG        |
|                                  | 19. Total          |

Table 5. A Survey of the Rhine Fleet, 1971/1977

1) Rajnske zemlje	2) Remorkeri i gurači (potiskivači)		3) Samohodni brodovi		4) Šleпови (uključujući i barže)	
	5) broj	6) KS 71/KW/77	broj 7)	8) tonala	9) broj	10) tona
11) Njemačka	71	14	333	334.168	82	116.548
12) Francuska	77	19	290	382.323	86	148.124
13) SR Nemačka	71	40	1097	373.063	178	198.541
14) Holandija	77	31	36	34.204	96	193.235
15) Belgija	71	281	1777	1.482.205	600	694.899
	77	146	2774	2.594.447	328	623.822
	71	1007	6514	3.205.434	2348	2.366.846
	77	2080	6025	3.887.843	1486	1.880.976
16) Ukupno:	71	288	3628	1.968.741	229	227.559
	77	1342	9721	5.394.870	3208	3.376.834
	77	2564	12753	8.867.358	2225	3.873.716

Key:

- |                               |                 |
|-------------------------------|-----------------|
| 1. Rhine countries            | 9. number       |
| 2. towing and pushing tugs    | 10. tons        |
| 3. self-propelled ships       | 11. Switzerland |
| 4. various types of barges    | 12. France      |
| 5. number                     | 13. The FRG     |
| 6. horsepower 71/kilowatts 77 | 14. Holland     |
| 7. number                     | 15. Belgium     |
| 8. tonnage                    | 16. Total       |

Table 6. A Comparative Survey of Fleet Size According to Structure on the Rhine and the Danube, 1971-1976-/77

1) Reke / index	2) Remorkeri i gurači (potaktivaci)		3) Samohodni brodovi		4) Slepovi i barje	
	5) broj	6) KS/KW	7) broj	8) tone	9) broj	10) tone
	2	3	4	5	6	7
11) Dunav	1971. 818	465.137	198	219.707	3220	2.508.213
	1976. 830	522.201	270	328.021	3412	3.045.568
12) Rajna	1971. 1342	527.981	9721	5.394.870	3208	3.376.834
	1977. 2544	746.858	12753	8.867.358	2225	3.073.716
13) Indexi	(14) R/D 71 1,6	1,1	49,1	24,5	10	1,3
	R/D 76/77 3,0	1,4	47,2	27,0	0,6	1,0

Key:

- |                            |                  |
|----------------------------|------------------|
| 1. River/index             | 8. tons          |
| 2. towing and pushing tugs | 9. number        |
| 3. self-propelled ships    | 10. tons         |
| 4. various types of barges | 11. the Danube   |
| 5. number                  | 12. the Rhine    |
| 6. horsepower/kilowatts    | 13. Indexes      |
| 7. number                  | 14. Rhine/Danube |



## STATUS OF MERCHANT FLEET, DEVELOPMENT PLAN FOR 1981-1985

Belgrade TRANSPORT in Serbo-Croatian No 12, Dec 79 pp 29-33

[Article by Ivo Milat]

[Excerpts] The merchant fleet takes a very important place in the Yugoslav transportation system and in foreign commerce, and maritime shipping has a particular and dominant role in international trade. The economic function of the merchant fleet is not exhausted merely by its share in transporting goods; on the contrary, its importance is far broader and more comprehensive, when one considers the stimulus it provides for the development of other service activities within the country, such as ports, shipping agencies, forwarding, transportation, and shipbuilding.

Despite difficulties, uneven development and certain areas of stagnation, the Yugoslav merchant fleet has grown by some 10 times in the postwar period in comparison to the status at the time of liberation. On 30 June 1979, the merchant fleet had 339 ships with a gross tonnage of 2,357,485 tons, with 3,654,118 tons capacity and 17,114 passenger facilities; the ships vary in structure and age. In the last few years the Yugoslav maritime shipping industry has grown in accordance with its material potential and system decisions, but in comparison with worldwide trends it can be considered as quite slow in development. The world fleet has grown at an annual rate of 9 percent, while Yugoslav shipping has grown at a rate of only 4.5 percent, which mean precisely that the capacities of the Yugoslav merchant fleet has grown by only 23.8 percent during the past 4 years of the current intermediate plan.

The age structure of the ships in the fleet continues to worsen on the average, although in its entirety it is still favorable, notably in the capacities of ships of up to 15 years of age. This does not mean that it will stay that way by the end of the new intermediate development plan, unless certain decisions are made and the necessary actions are undertaken to speed replacement of antiquated ships in the fleet, both from the technical and the economic point of view. The following summary presents the status of the fleet in terms of gross tonnage for the past 2 years:

Age of Ship	1977 Gross Tons	1978 Gross Tons	1977 Percent	1978 Percent
0-4	597,194	566,353	26.8	24.3
5-9	527,636	440,265	23.7	18.9
10-14	500,798	655,926	22.5	26.1
15-19	351,872	371,637	15.8	15.9
20-24	166,934	219,896	7.5	9.4
25-50	75,299	75,500	3.4	3.2
over 50	7,168	7,168	0.3	0.3

From this survey of the age of ships in the merchant fleet it is clear that most of the ships in service are under 15 years old, representing 71.1 percent of the total capacity. It must, however, be emphasized that the structure of the fleet still contains 12.9 percent of gross tonnage in ships that are more than 20 years old, which affects the average age of the Yugoslav merchant fleet adversely and which from any point of view should be changed by 1985.

A positive and important change has appeared in the structure of ships in the fleet according to type of navigation and ship type, particularly in the improvement of capacities for ships with special applications, among which are bulk carriers, container ships, ro-ro ships, refrigerated ships, multipurpose ships, freezer ships, and various types of ferries for local passenger transportation. In the coming 5-year period ships of these types will expand their share of the total tonnage, while in large part classic types of liners and tramp steamers will disappear from use.

Even despite the present situation in the world, with inflation, market oscillations and adversities in the monetary system, there is every likelihood that growth of tonnage will continue as necessary for the modernization of world maritime commerce. According to some estimates, the world merchant fleet by the end of 1980 will surpass 400 million gross tons, while by 1985 it will reach about 500 million gross tons.

In comparison with 1977, the total income of the merchant fleet in 1978 rose by 18.7 percent, while in the first 6 months of 1979 compared to the same period of the preceding year, it grew by fully 25.5 percent. Total expenses for materials and services in 1978 compared to 1977 grew by 18.9 percent, with fuel costs rising 14.3 percent, port fees by 23.6 percent, loading and unloading costs by 14.9 percent, agent and forwarder costs by 26.1 percent, and other production and nonproduction services by 26.3 percent. Total expenditures in the first half of 1978 were up by 20.5 percent, or by 5 percent less than the increase in total income.

The flow of convertible currency in 1978 brought in the sum of \$544.8 million, while convertible currency expenditures amounted to \$335.3 million, leaving a net convertible currency sum of \$219.5 million. This represented an increase of 10.5 percent over the results of the previous year. The income in convertible currencies compared to the previous year amounted to an increase of 14.8 percent, and its share of the total income was 97.9 percent.

In the first half of 1979, the foreign exchange income amounted to \$313 million, representing an increase of 26.9 percent over the same period of the previous year. Foreign exchange expenditures were up by 16.5 percent in the period, amounting to \$168 million, so that the net foreign exchange income totaled \$145 million, which compared to the same period of the previous year meant a 41.3 percent increase. Viewed in another way, in the first half of 1979, 66.1 percent of the total net foreign exchange income during 1978 was received. This means that by year's end, last year's results will be surpassed by a significant amount, which will have an even more positive impact on the country's balance of payments situation.

The trends in total income and foreign exchange income can be seen in the following table:

Total Income in million dinars

Parameter	1977	1978	First half 1979	1978/1977
Total Income	10,513.6	12,475.6	7,159.4	118.7
Materials and Services	6,546.8	7,975.7	4,481.9	121.8
Amortization at legal rates	1,129.5	1,074.6	833.8	95.1
Income	2,837.3	3,425.3	1,843.7	120.7

The previous table shows that total income in 1978 compared to the previous year rose 18.7 percent, and that material and service costs increased 18.9 percent, income was 20.7 percent higher, and amortization at legal rates declined 4.9 percent; the latter was due to the fact that in some organizations of associated labor the amortization was figured at the lowest rates in order to cover capital deficits amounting to 58.4 million dinars in overall income.

Foreign Currency Income and Expenditures in Million dinars

Parameter	1977	1978	First half 1979	1978/1977
Foreign exchange income	484.1	554.7	313.4	114.6
Foreign exchange	285.5	335.3	167.8	117.4
Net foreign exchange income	198.6	219.4	145.6	110.5
Net percentage of foreign exchange income	40.02	39.56	46.45	96.5

Compared to the previous year, the total foreign exchange income grew 14.7 percent, while foreign exchange expenditures increased 14.0 percent. The net foreign exchange balance improved 10.5 percent. These data tell us that economies in foreign exchange operations were somewhat worse because of the growth in foreign exchange expenditures that organizations of associated labor could not control, since they relate to increased port costs, loading and unloading expenses, and prices for fuel and lubricants. The situation is more favorable in the first half of 1979, because foreign exchange expenses have increased more slowly than total income, so that the efficiency of foreign exchange operations will be somewhat more favorable compared to the previous year.

Here, however, it is necessary to stress that in the Yugoslav system, water shipping does not have the place it should have and deserves, for the foreign exchange it generates does not even approximate that obtained by trade in goods. Specifically, system measures of stimulation are insufficient to supplement in the Yugoslav merchant fleet the positive results in foreign exchange operations and trends that are being realized on the world maritime shipping market. Customs exemptions that reveal the unrealistic nature of the exchange rate and differences in expenses between domestic and world prices for ships are currently at the lowest levels in the present foreign exchange system. In the last 5 years they amounted to merely 5 percent, while for other branches of the economy and activities they were much higher, even passing 30 percent; for some goods there were even rebates of shipping costs.

For an even better comparison, we would point out that the average actual rate of customs exemption for the merchant fleet in 1977 was 7 percent, while in 1978 it amounted to 9.78 percent; that means that the actual export parity for the merchant fleet in 1979 amounted to 19.5 dinars per dollar. This average actual rate of customs exemption shows that the dollar earned by the services of the maritime shipping branch of the economy is the least costly for the Yugoslav social community, because these are certainly the cheapest convertible currencies that it gets from the economy.

From this, the realistic conclusion follows that if the maritime shipping branch makes a significant contribution to the convertibility of the dinar, in the same way Yugoslav society should permit maritime shipping to have corresponding customs exemptions on the total foreign exchange income it generates, and particularly on the net foreign exchange it produces. In that manner the present exchange rate for the dollar would be brought into line with its actual value compared to the dinar, and compared to its value on the world markets in which Yugoslav ships are operating. System policy measures in providing customs exemptions for foreign exchange income are in any case in violation of the Social Agreement on Transportation Policy of Yugoslavia, so that in the coming period there should be a coordination of transportation services in general with exports of goods. It should be noted that all countries of the world that have domestic maritime fleets undertake suitable measures of protective and stimulative nature, in order to more easily overcome difficulties provoked by the effects of the economic crisis in the maritime shipping market.



## The Program and Conception of Future Development

In preparing the developmental program and the conception of the size of the merchant fleet for the period 1976-1980, organizations of associated labor of the maritime shipping agencies of Yugoslavia paid particular attention to the conditions and potential of world markets, and in that connection, to the utilization of ships, keeping in mind the status in maritime markets, which generally are characterized by the alternation of favorable and unfavorable periods (boom periods and recessions). At the same time, in determining the size of the merchant fleet the starting point was the actual projections that the anticipated developmental program could attain in their entirety by 1980. Now we can state that that status will not be reached, primarily because the production capacity of shipping makes it impossible.

In the intermediate plan of development by 1980, a growth in capacity was planned of 143 ships for various purposes and of various sizes, with a total tonnage of 1,498,932 gross tons, and carrying capacity of 2,345,499 tons. With that magnitude of developmental potential, at the end of the plan period the merchant fleet was to have 383 ships with a total tonnage of 3,143,485 gross tons, and 4,902,987 tons of carrying capacity and 16,321 passenger accommodations.

The magnitude of this program was determined by the following three methods:

1. Agreements were made for importing 22 new ships with a total gross tonnage of 411,400, at a total cost calculated including import duties of 9 percent and a payment period of 36 months.
2. In keeping with the Piran agreement signed by 14 labor organizations, domestic construction of 62 ships was planned (including 13 rescue units), with 429,130 gross tons, under conditions that by agreement an average world price would be determined for each ship and construction would be financed 30 percent from internal capital and 70 percent on credit for an 8-year period, at an interest rate of 8 percent.
3. For the importing of 59 used ships with 619,402 gross tons, acquisition value was calculated including import duties of 9 percent, with the possibility of using bonds and foreign credit with a 5-year payment period and an interest rate of 6 percent.

All 22 of the new ships contracted for abroad were delivered by the end of 1978 on the conditions foreseen by the plan; of the new ships contracted for within the country so far 16 have been delivered with a gross tonnage of 143,954 tons, along with 5 ships that the Jadrolinija Co of Split built in the USSR on the basis of a compensation transaction. It is expected that by the end of 1980, some 12 ships with 92,000 gross tons will be completed, but those orders depend first of all on the production capabilities of the labor organizations and on the level of difference between domestic and average world prices to be paid to shipbuilders in Croatia according to the Platform of the Croatian Assembly, and that difference is much greater than what has been calculated so far in delivering ships.

As far as the importing of used ships, the plan has been totally delayed, because so far only nine ships with 16,850 gross tons, or 18 percent of the planned imports, have been obtained.

Keeping in mind the results of the current developmental plan until 1980, labor organizations of the Yugoslav maritime shipping industry consider that it is necessary to carry out a comprehensive analysis of operating conditions and all the difficulties that have been present in implementing the plan, so that it will be possible to perceive the development potential during the period 1981-1985, and in connection with it, the real bases for approaching the final preparation of a developmental plan for the merchant fleet in the coming period.

Organizations of associated labor of the Yugoslav maritime shipping industry also consider that the first conception of the developmental plan for the coming intermediate period should unfold according to the following principles:

Because of the age structure of the fleet, construction and acquisition should be planned that will provide for a strict replacement schedule, since the current ships are technically and economically below the averages of the world fleet.

Within the framework of actual possibilities, construction and acquisition of ships for expanded production should be planned, keeping in mind the satisfaction of the needs of Yugoslav foreign trade commerce.

The plan for construction and acquisition of ships should be based on the operating conditions that prevailed in 1979, the state of the maritime shipping market, and the fleet's production capacity.

Amortization should be planned according to legal rates and the capital accumulation capabilities of the labor organizations, keeping in mind present obligations.

We would also add that the position of shippers concerning more rapid replacement of ships that are older than 16 years at the beginning of the plan period is based on the following:

--a ship that is more than 20 years old does not justify its existence, either economically or even more, technologically;

--many countries are introducing regulations that ships older than 16 years will not be able to enter their ports;

--new regulations protecting the seas from pollution define the types of ships that are to be in service;

--conditions for crew quarters and living conditions on board on antiquated ships also do not correspond to today's positive regulations and standards.

On the basis of these principles, organizations of associated labor of the maritime shipping industry have prepared a first draft version of the developmental possibilities for the period 1981-1985, according to which construction of 59 new ships is foreseen, primarily ships with new technology, with about 1.1 million tons capacity. Acquisition of 60 sailing vessels with about 850,000 tons capacity is also specified. According to this draft, the first conception of the future developmental plan of the merchant fleet by 1985 anticipates construction and acquisition of 119 ships with 1.95 million tons capacity, of various sizes and types.

Here it is necessary to stress that a positive, significant change is appearing in the structure of the fleet according to navigational categories and ship types, particularly in regard to improving the capacity in ships for special purposes and with new technology, among which the most important are multipurpose ships, bulk carriers, full container ships, multiflex ships, ro-ro refrigerator ships, and various types of ferry boats.

To assure dependable material bases for the best possible implementation of the social developmental plan by 1980, more comprehensive preparation of all measures was carried out for preparing the developmental plan for the period 1981-1985, and suitable conditions were insured for operations aimed at improving capital accumulation and production capabilities of the Yugoslav maritime shipping industry. The following measures and actions will be required:

1. by social agreements, comprehensive self-management bonds will be made between shippers and the users of shipping services in transporting Yugoslav imports and exports on ships with domestic crews;
2. the foreign exchange income from transportation services should be stimulated in the way that other activities are treated, or as exports of highly processed goods are stimulated;
3. the export of transportation services should be rewarded as exports of goods in all conditions of foreign exchange transactions and exports and imports of equipment and ships;
4. the construction of ships in domestic shipyards should be guaranteed the same conditions as those provided by the Yugoslav Bank for Foreign Trade for exports of ships;
5. imports of used ships should be made possible for replacing wornout and lost ships, with import duties to be at a maximum of 9 percent;
6. in the domain of secondary distribution, all further obligations on organizations of associated labor involved in maritime shipping should be halted, since the effects of the economic crisis continue to be present in the world shipping markets.

The implementation of these measures and actions would do much to make the continuing development of the merchant fleet more certain than it has been in the course of the present intermediate plan period, and that means precisely that all the efforts of shippers to fill their share of world shipping capacities at the end of the coming plan period, by 1985, by holding it at least at the same level, would truly be accomplished.

Therefore, the proposed but still unspecific planned size of the merchant fleet of Yugoslavia by 1985 would represent the basis for higher-quality satisfaction of the needs of Yugoslav foreign trade in goods, for the establishment of a better position in the world maritime market, and finally to provide a stronger and more positive impact on the country's balance of payments position.

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